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ABSTRACT

This guide provides information for use by postsecondary schools on the calculation and use of cohort default rates for the Federal Family Education Loan (FFEL) program and the Federal Direct Loan Program for fiscal year 1997. It defines cohort default rates and reviews how the default rate affects schools' benefits and sanctions. The guide provides an overview of the loan record detail report sent to schools, and also includes detailed information for schools on appeals, including appeal tips, requests for adjustment, erroneous data appeals, improper loan servicing and collection appeals, exceptional mitigating circumstances appeals, and withdrawing an appeal. Other sections of the guide provide guidance on appeals for guaranty agencies, including monthly status reports, requests for adjustment, exceptional mitigating circumstances appeals, erroneous data responses, and loan servicing records responses. Five appendixes include guaranty agency contacts, direct loan servicer contacts, U.S. Department of Education contacts, a list of abbreviations and acronyms, and a form for user comments on the guide. (MDM)

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Official
Cohort Default Rate Guide

For FFEL Program and Direct Loan Program Loans

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Federal Register
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Higher Education Act of 1965 (HEA), as amended
http://www.ifap.ed.gov

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Specific Office-Related Information

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Debt Collection Service (DCS)
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U.S. Department of Education
Guarantor and Lender Oversight Service (GLOS)
For information on lender or guaranty agency cohort default rates, call:
(202) 401-7482

U.S. Department of Education
Institutional Participation and Oversight Service (IPOS)
For questions about re-certification, audit resolution, financial analysis, program review, and institution improvement, call:
(202) 205-0183

U.S. Department of Education
Default Management Division (DMD)
For questions about cohort default rates, contact:
(202) 708-9396 or
e-mail: OSFA_IPOS_Default_Management_Division@ed.gov

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Introduction

What is this Guide?

The *FY 1997 Official Cohort Default Rate Guide* (Guide) is a publication that the U.S. Department of Education (Department) sends to postsecondary schools (schools) along with their official cohort default rate notification letters each fiscal year. This Guide should be used as a reference tool for the FY 1997 official cohort default rates. The guidance found in this Guide does not supercede or alter existing regulations or statute. If a discrepancy is found between this Guide and the regulations or statute, the regulations and/or statute take precedence.

The purpose of this Guide is to assist schools in:

- understanding how the Department calculates official cohort default rates;
- understanding the affects official cohort default rates have on schools;
- understanding how to read cohort default rate loan record detail reports;
- understanding a school's cohort default rate appeal rights;
- submitting cohort default rate appeals;

AND

- understanding the replies received in response to a school's appeal.

Note If you would like to make comments on this Guide, please fill out and return the "User Comments" worksheet on page 3 in "Appendix E."

Which cohort default rates are addressed in this Guide?

This Guide is about cohort rates calculated for the Federal Family Education Loan (FFEL) Program and/or William D. Ford Federal Direct Loan (Direct Loan) Program.

This Guide does NOT:

- contain school cohort default rates. To receive a copy of the press package which contains schools' cohort default rates please call 202-708-9396 or refer to http://www.ifap.ed.gov.
- discuss Federal Perkins Loan Program cohort default rates. For information on Federal Perkins Loan Program cohort default rates please call 202-708-7741.
- discuss guaranty agency or lender cohort default rates. For information on guaranty agency or lender cohort default rates please call 202-401-7482.

How do the 1998 Amendments to the Higher Education Act of 1965, as amended (HEA), affect the guidance provided in this Guide?

At the time this Guide went to print, the final regulations implementing changes to the cohort default rate process made by the 1998 Amendments to the HEA had not yet been finalized. However, the Department has taken every effort to incorporate into this Guide the relevant changes that were adopted during the negotiated rule-making process and public comment period. If the final regulations conflict with the guidance outlined in this Guide, the final regulations take precedence. Therefore, a school must consult the final regulations to ensure it meets all legal requirements.

Cohort Default Rates

What is a cohort default rate?

A cohort default rate is the percentage of a school's student borrowers who enter repayment on certain Federal Family Education Loan (FFEL) Program and/or William D. Ford Federal Direct Loan (Direct Loan) Program loans during a particular fiscal year (FY) and default or meet other specified conditions before the end of the next fiscal year[1]. The cohort default rate may be an FFEL Program cohort default rate, a Direct Loan Program cohort rate, or a Dual-Program cohort rate depending on the type or types of student loans that comprise the rate.

Q. What is the fiscal year?

A. The federal fiscal year begins on October 1 of a calendar year and ends on September 30 of the following calendar year.

An FFEL Program cohort default rate[2] is the cohort default rate for schools whose students have **only** FFEL Program loans entering repayment during a particular fiscal year. It is the percentage of a school's borrowers who enter repayment on certain FFEL Program loans during a particular fiscal year and default within the fiscal year in which the loans entered repayment or within the next fiscal year.

A Direct Loan Program cohort rate[3] is the cohort rate for schools whose students have **only** Direct Loan Program loans entering repayment during a particular fiscal year. It is the percentage of a school's borrowers who enter repayment on certain Direct Loan Program loans during a particular fiscal year and default or meet ***other specified conditions*** within the fiscal year in which the loans entered repayment or within the next fiscal year.

A Dual-Program cohort rate[4] is the cohort rate for schools whose students have **both** FFEL Program and Direct Loan Program loans entering repayment during a particular fiscal year. It is the percentage of a school's borrowers who enter repayment on certain FFEL Program and Direct Loan Program loans during a particular fiscal year and default or meet ***other specified conditions*** within the fiscal year in which the loans entered repayment or within the next fiscal year.

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[1] For schools with 29 or fewer borrowers entering repayment during a fiscal year, the data is averaged over a three year period. Please refer to page 9 for additional information on the averaging process.

[2] 34 CFR § 668.17(d)

[3] 34 CFR § 668.17(e)

[4] 34 CFR § 668.17(f)

***Other specified conditions*:** For non-degree granting proprietary schools only, borrowers who have received Direct Loan Program loans are treated as defaulted loans in the schools' rates if, for 270 days during the cohort period in question, the borrowers are in repayment under the income contingent repayment (ICR) plan with scheduled payments that are less than 15 dollars per month and less than the interest accruing on the loan.

A school does not select whether it has an FFEL Program cohort default rate, a Direct Loan Program cohort rate, or a Dual-Program cohort rate. The rate is determined on the basis of the types of loans made to students attending the school that enter repayment in a given cohort period.

Note

The U.S. Department of Education's (Department) regulations use the term "weighted average cohort rate" for rates for schools with student borrowers who have both FFEL Program and Direct Loan Program loans entering repayment during a cohort period. This Guide uses the term "Dual-Program cohort rate" to describe the same rate and calculation. In addition, this Guide uses the term "cohort default rate" to refer to a school's FFEL Program cohort default rate, Direct Loan Program cohort rate, or Dual-Program cohort rate, unless otherwise specified.

Which types of loans are included in the cohort default rate calculation?

The cohort default rate does not include all types of FFEL Program and/or Direct Loan Program loans.

The **FFEL Program loans included** in the cohort default rate calculation are:

- Subsidized Federal Stafford Loans (FFEL Stafford Loans);
- Unsubsidized Federal Stafford Loans (FFEL Stafford Loans);

AND

- Federal Supplemental Loans for Students (Federal SLS Loans).

The **Direct Loan Program loans included** in the cohort default rate calculation are:

- Federal Direct Subsidized Stafford Loans (Direct Loan Stafford Loans);

AND

- Federal Direct Unsubsidized Stafford Loans (Direct Loan Stafford Loans).

The following **loans are NOT included** in the cohort default rate calculation:

- PLUS Loans;
- Federal Direct PLUS Loans;
- Federal Insured Student Loans;

AND

- Federal Perkins Program Loans.

Note Federal Consolidation Loans and Federal Direct Consolidation Loans are not counted directly in the cohort default rate calculation. However, the status of a consolidation loan may affect how the loan(s) that was paid off by the consolidation loan is included in the cohort default rate calculation. Please refer to page 19 for more information on consolidation loans.

When are cohort default rates released?

The Department releases cohort default rates twice a year. Generally, the Department releases **draft** cohort default rates during the spring. The Department releases **official** cohort default rates approximately six months after the release of the draft cohort default rates.

Who receives cohort default rates?

The **draft** cohort default rates are released to all schools that the Department's records indicate:

- were participating in the FFEL Program and/or Direct Loan Program on the first day of the fiscal year for which the cohort default rate is based and may or may not have student borrowers who entered into repayment during the cohort period in question;

  OR

- have at one time participated in the loan programs and have student borrowers that entered into repayment on the relevant FFEL Program and/or Direct Loan Program loans during the cohort period in question.

The **draft** cohort default rates are NOT released to the public.

The **official** cohort default rates are released to all schools that:

- are participating in any of the Title IV Student Financial Assistance Programs and have student borrowers who entered into repayment on the relevant FFEL Program and/or Direct Loan Program loans during the cohort period in question;

  OR

- were participating in the FFEL Program and/or Direct Loan Program on the first day of the fiscal year for which the cohort default rate is based and may or may not have student borrowers who entered into repayment during the cohort period in question.

The **official** cohort default rates are released to the public. The public can request a listing of all of the official cohort default rates in the form of a press package. The press package also contains a listing of those schools subject to sanctions as a result of cohort default rates. For a copy of the press package, please call 202-708-9396 or visit the Department's website at http://www.ifap.ed.gov.

Please refer to the section entitled "Effects of Official Cohort Default Rates" on page 25 for more information on the sanctions that a school may be subject to if its official cohort default rate(s) reaches certain levels.

Note When the Department provides a school with a cohort default rate the school will also receive a report listing all of the student borrowers contained in the cohort default rate calculation and a copy of the most recent *Cohort Default Rate Guide*.

Why are cohort default rates important?

Although there are no sanctions or consequences associated with a **draft** cohort default rate, it is important to review the data used to calculate the draft cohort default rate to ensure the accuracy of the data. The data used to calculate the draft cohort default rate forms the basis of a school's official cohort default rate. A school that fails to ensure the accuracy of its draft cohort default rate data through a draft data challenge may not be able to do so after the release of the official cohort default rates. Therefore, it is critical that schools review the draft cohort default rate data. In addition, because a school may avoid the consequences associated with its official cohort default rates by submitting a successful participation rate index challenge based on its cohort default rate, the school should review its enrollment data to determine if it qualifies to submit a participation rate index challenge.

Q. What is a draft data challenge?

A. A draft data challenge is the process used by a school to correct cohort default rate data before the *official* cohort default rates are calculated.

Please refer to the Department's *FY 1997 Draft Cohort Default Rate Guide* for additional information on draft data challenges.

Please refer to the *Draft Cohort Default Rate Guide* for more information on draft cohort default rates.

The **official** cohort default rates are important because they may affect a schools eligibility to participate in certain Title IV Student Financial Assistance Programs and because the Department may take administrative actions against a school on the basis of its official cohort default rate(s).

Please refer to the "Effects of Official Cohort Default Rates" section beginning on page 25 for more information on the administrative actions the Department may initiate against a school due to official cohort default rates.

How does the Department calculate a school's cohort default rate?

The formula the Department uses for calculating a school's cohort default rate depends on the number of student borrowers from that school entering repayment in a particular fiscal year (FY). The formulas and sample calculations are shown on the next five pages.

Non-Average Calculation: For a school with **30 or more borrowers** entering repayment during FY 1997, the FY 1997 cohort default rate is calculated as follows:[5]

$$\boxed{100} \times \frac{\boxed{\text{the number of } \textbf{borrowers} \text{ who entered repayment in FY 1997 and who defaulted or met } \textbf{\textit{other specified conditions}} \text{ in FY 1997 or FY 1998 (Numerator)}}}{\boxed{\text{the number of } \textbf{borrowers} \text{ who entered repayment in FY 1997 (Denominator)}}}$$

Note **_Other specified conditions:_** For non-degree granting proprietary schools only, borrowers who have received Direct Loan Program loans are treated as defaulted loans in the schools' rates if, for 270 days during the cohort period in question, the borrowers are in repayment under the income contingent repayment (ICR) plan with scheduled payments that are less than 15 dollars per month and less than the interest accruing on the loan.

Non-Average Example: School A, a degree granting school, certified 117 loans for **90 borrowers** that entered repayment in FY 1997 (denominator). Of those borrowers, **8 borrowers** defaulted on a total of 16 loans in FY 1997 or FY 1998 (numerator). School A's cohort default rate is calculated by dividing 8 by 90 and multiplying the result by 100 to produce a cohort default rate of 8.9 percent.

$$\boxed{100} \times \frac{\boxed{8}}{\boxed{90}} = \boxed{8.9}$$

Q. Are cohort default rates based on the number of **loans** that enter repayment or the number of **borrowers** that enter repayment?

A. Cohort default rates are based on the number of unduplicated borrowers that enter repayment.

---

[5] 34 CFR § 668.17(d), (e), and (f)

Average Calculation: For a school with **29 or fewer borrowers** entering repayment during FY 1997 that had cohort default rates calculated for the two previous years, the Department calculates an **average cohort default rate**. The FY 1997 average cohort default rate is calculated as follows:[6]

$$\boxed{100} \times \frac{\text{the number of } \textbf{borrowers} \text{ who entered repayment in FY 1995, FY 1996, and FY 1997 and who defaulted or met } \textbf{\textit{other specified conditions}} \text{ before the end of the fiscal year immediately following the fiscal year in which the loan entered repayment (Numerator)}}{\text{the number of } \textbf{borrowers} \text{ who entered repayment in FY 1995, FY 1996, and FY 1997 (Denominator)}}$$

Note ***Other specified conditions:*** For non-degree granting proprietary schools only, borrowers who have received Direct Loan Program loans are treated as defaulted loans in the schools' rates if, for 270 days during the cohort period in question, the borrowers are in repayment under the income contingent repayment (ICR) plan with scheduled payments that are less than 15 dollars per month and less than the interest accruing on the loan.

The following page provides an example of an average cohort default rate.

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[6] 34 CFR § 668.17(d), (e), and (f)

Average Example: School B, a degree-granting school, certified loans for the following students: 50 borrowers that entered repayment in FY 1995, 44 borrowers that entered repayment in FY 1996, and 29 borrowers that entered repayment in FY 1997. 50+44+29=123 (denominator). Of those 123 borrowers, 2 of the borrowers that entered repayment in FY 1995 defaulted in FY 1995 or FY 1996; 6 of the borrowers that entered repayment in FY 1996 defaulted in FY 1996 or FY 1997; and 4 of the borrowers that entered repayment in FY 1997 defaulted in FY 1997 or FY 1998. 2+6+4=12 (numerator). School B's average cohort default rate is calculated by dividing 12 by 123 and multiplying the result by 100 to produce an average cohort default rate of 9.8 percent.

$$\boxed{100} \times \frac{\boxed{2} + \boxed{6} + \boxed{4} = \boxed{12}}{\underset{\text{FY95}}{\boxed{50}} + \underset{\text{FY96}}{\boxed{44}} + \underset{\text{FY97}}{\boxed{29}} = \boxed{123}} = \boxed{9.8}$$

Unofficial Calculation: For a school with **29 or fewer borrowers** entering repayment during FY 1997 that did not have a cohort default rate calculated for FY 1995 and/or FY 1996, the Department calculates an **unofficial cohort default rate**. The FY 1997 unofficial cohort default rate is calculated as follows:

$$100 \times \frac{\text{the number of }\textbf{borrowers}\text{ who entered repayment in FY 1997 and who defaulted or met }\textbf{\textit{other specified conditions}}\text{ in FY 1997 or FY 1998 (Numerator)}}{\text{the number of }\textbf{borrowers}\text{ who entered repayment in FY 1997 (Denominator)}}$$

Note ***Other specified conditions:*** For non-degree granting proprietary schools only, borrowers who have received Direct Loan Program loans are treated as defaulted loans in the schools' rates if, for 270 days during the cohort period in question, the borrowers are in repayment under the income contingent repayment (ICR) plan with scheduled payments that are less than 15 dollars per month and less than the interest accruing on the loan.

Note Since an unofficial cohort default rate does not meet the statutory definition of a cohort default rate, it can not be used to determine sanctions or benefits.

The following page provides an example of an unofficial cohort default rate.

Unofficial Example:

School C, a degree-granting school that began participating in the FFEL Program on October 1, 1995, certified loans for the following students: 10 borrowers that entered repayment in FY 1996, and 21 borrowers that entered repayment in FY 1997. Of those borrowers, 0 of the borrowers that entered repayment in FY 1996 defaulted in FY 1996 or FY 1997; and 2 of the borrowers that entered repayment in FY 1997 defaulted in FY 1997 or FY 1998. Because School C has 29 or fewer borrowers who entered repayment in FY 1997, a non-average cohort default rate cannot be calculated for the school. However, because the school was not participating in the FFEL Program in FY 1995 and as a result did not have a cohort default rate calculated for FY 1995, School C does not have two previous rates with which to average its current year data. Therefore, School C's cohort default rate is calculated based on one year of data by dividing 2 by 21 and multiplying the result by 100 to produce an unofficial cohort default rate of 9.5 percent.

$$\boxed{100} \times \frac{\boxed{2}}{\boxed{21}} = \boxed{9.5}$$

What are the time frames of a cohort period?

The time frames for a cohort period are based on federal fiscal years. Federal fiscal years begin on October 1 of a calendar year and end on September 30 of the following calendar year.[7]

Except for schools with 29 or fewer borrowers entering repayment, the cohort default rate is based on the number of borrowers who **entered repayment in a single fiscal year** (this is the denominator of the calculation), and of these borrowers, the number of borrowers who **defaulted or met other specified conditions in a two-year period** (this is the numerator of the calculation).[8] The cohort default rate for FY 1997 is based on the number of borrowers who entered repayment in **FY 1997** and of those borrowers, the number who defaulted or met other specified conditions in **FY 1997** or **FY 1998**. Therefore, the borrowers who entered repayment from October 1, 1996, through September 30, 1997, are included in the denominator of the FY 1997 cohort default rate calculation. Of those borrowers, the borrowers who defaulted or met other specified conditions from October 1, 1996, through September 30, 1998, are included in the numerator of the FY 1997 cohort default rate calculation.

Please refer to the chart on the next page for a listing of cohort periods and the loans included in the cohort default rate calculation.

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[7] 34 CFR § 668.17(d)(2)

[8] 34 CFR § 668.17(d), (e), and (f)

The following chart outlines seven cohort periods and the borrowers included in the cohort default rate calculations.

Cohort Period Time Frames

Cohort Period	Loans Included in the Cohort Default Rate Calculation[9]	Period of Time
FY 1993	Borrowers who entered repayment on their loans in FY 1993 and defaulted in FY 1993 or FY 1994 Borrowers who entered repayment on their loans in FY 1993	10/1/92 to 9/30/94 10/1/92 to 9/30/93
FY 1994	Borrowers who entered repayment on their loans in FY 1994 and defaulted in FY 1994 or FY 1995 Borrowers who entered repayment on their loans in FY 1994	10/1/93 to 9/30/95 10/1/93 to 9/30/94
FY 1995	Borrowers who entered repayment on their loans in FY 1995 and defaulted in FY 1995 or FY 1996 Borrowers who entered repayment on their loans in FY 1995	10/1/94 to 9/30/96 10/1/94 to 9/30/95
FY 1996	Borrowers who entered repayment on their loans in FY 1996 and defaulted in FY 1996 or FY 1997 Borrowers who entered repayment on their loans in FY 1996	10/1/95 to 9/30/97 10/1/95 to 9/30/96
FY 1997	Borrowers who entered repayment on their loans in FY 1997 and defaulted in FY 1997 or FY 1998 Borrowers who entered repayment on their loans in FY 1997	10/1/96 to 9/30/98 10/1/96 to 9/30/97
FY 1998	Borrowers who entered repayment on their loans in FY 1998 and defaulted in FY 1998 or FY 1999 Borrowers who entered repayment on their loans in FY 1998	10/1/97 to 9/30/99 10/1/97 to 9/30/98
FY 1999	Borrowers who entered repayment on their loans in FY 1999 and defaulted in FY 1999 or FY 2000 Borrowers who entered repayment on their loans in FY 1999	10/1/98 to 9/30/00 10/1/98 to 9/30/99

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[9] For the FY 1995, FY 1996, FY 1997, FY 1998, and FY 1999 cohort periods, for non-degree granting proprietary schools only, students who have received Direct Loan Program loans are included as defaulted loans in the schools' rates if, for 270 days within the cohort period in question, the students are in repayment under the income contingent repayment (ICR) plan with scheduled payments that are less than 15 dollars per month and less than the interest accruing on the loan.

How does the Department determine which loans are placed in the denominator of the calculation?

Loans are included in the denominator of the cohort default rate based on when the loan entered repayment. Loans included in the denominator of the non-average and unofficial FY 1997 cohort default rate calculation are FFEL Program and Direct Loan Program loans that entered repayment during FY 1997 (i.e., between October 1, 1996 and September 30, 1997).

Q. When will a borrower enter repayment if the borrower re-enrolls in an eligible school prior to the expiration of the borrower's grace period?

A. The borrower will not enter repayment until the borrower has received six consecutive months of uninterrupted grace.

Different loan types enter repayment under different rules.

FFEL Program Stafford Loans enter repayment on the day following six months of an uninterrupted grace period after a student drops below at least half-time enrollment.

Note If the loan was converted into repayment before March 1, 1996, the repayment date for FFEL Program Stafford Loans may be date-specific (for example, 2/16/1996) or month-specific (for example, 2/1996). On or after March 1, 1996, the repayment date is date-specific.

Direct Loan Program Stafford Loans enter repayment on the day following six months of an uninterrupted grace period after a student drops below at least half-time enrollment. Unlike FFEL Program loans, the date entered repayment for Direct Loan Program loans was always date specific.

Q. If a borrower requests a forbearance, will the student's date entered repayment change?

A. No, once a borrower has entered into repayment a forbearance will not alter the borrower's date entered repayment.

For any Federal SLS Loan that was not reported in a cohort period prior to FY 1993, the following definitions apply:

- If a student has a Federal SLS Loan and an FFEL Program Stafford Loan that were both obtained in the same period of continuous enrollment, the date entered repayment for the Federal SLS Loan is the same as the date entered repayment for the FFEL Program Stafford Loan.

OR

- In all other instances, the date entered repayment for the Federal SLS Loan is the day following the day a student is no longer enrolled on at least a half-time basis.

Under the guidelines shown on the previous page for Federal SLS Loans, which were implemented beginning with the FY 1993 cohort default rates, a loan that was reported as having entered repayment prior to FY 1993 might also meet the criteria to be included in FY 1993 or later. To prevent the possibility of double-counting loans, any Federal SLS Loan that was reported in a cohort period prior to FY 1993 will not be reported again.

Note Please refer to the list of special circumstances affecting the cohort default rate calculation beginning on page 18.

How does the Department determine which loans are placed in the numerator of the calculation?

Loans must first be included in the denominator of a cohort default rate calculation in order to be included in the numerator of the cohort default rate calculation.

Q. The 1998 Amendments of the HEA changed the definition of default from 180 days of delinquency to 270 days of delinquency. How does the change affect the FY 1997 cohort default rate?

A. The change in the definition of default did not become effective until October 7, 1998, which is outside the time period for the FY 1997 cohort period. Therefore, the change in the definition of default does not affect the FY 1997 cohort default rate.

For FFEL Program loans, only defaulted loans are included in the numerator of the calculation. For **cohort default rate purposes**, a loan is considered to be in default only if the guaranty agency has paid a default claim on the loan to the lender.[10] The date the guaranty agency reimburses the lender for the defaulted loan (the claim paid date or CPD) is used to determine if the loan will be placed in the numerator of the calculation. If the claim paid date falls within the same fiscal year in which the loan entered repayment or the next fiscal year, the loan will be included in the numerator of the cohort default rate calculation.

For Direct Loan Program loans, loans are included in the numerator of the cohort default rate calculation when a student defaults. For **cohort default rate purposes**, a Direct Loan Program loan is considered to be in default on the 271st day of delinquency.[11] If the 271st day of delinquency falls within the same fiscal year in which the loan entered repayment or the next fiscal year, the loan will be included in the numerator of the cohort default rate calculation.

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[10] 34 CFR § 668.17(d)(1)(i)(C)

[11] 34 CFR § 668.17(e)(3) and (f)(3) (published December 1, 1995)

In addition, for non-degree granting proprietary schools only, students who have received Direct Loan Program loans are included as defaulted loans in the schools' rates if the borrowers are in repayment under the income contingent repayment (ICR) plan with scheduled payments that are less than 15 dollars per month and less than the interest accruing on the loan for 270 days. If the 271st day of the income contingent repayment falls within the same fiscal year in which the loan entered repayment or the next fiscal year, the loan will be included in the numerator of the cohort default rate calculation.

This table summarizes the date used to determine if a loan is included in the numerator of the cohort default rate calculation.

In the Numerator

(for Cohort Default Rate Purposes)

	FFEL Program Loans	Direct Loan Program Loans
Non-Degree-Granting Proprietary Schools	Date the insurance claim is paid	271st day of delinquency OR 271st day of monthly payments on the ICR plan that are less than 15 dollars per month and less than the interest accruing on the loan
Other Schools	Date the insurance claim is paid	271st day of delinquency

Note Please note that a loan is never included in the numerator of the cohort default rate calculation unless it is also included in the denominator of the cohort default rate calculation. In addition, a loan will NOT be included in the numerator of the cohort default rate calculation unless the date noted in the chart above falls within the fiscal year the loan entered repayment or the next fiscal year.

Please refer to the list of special circumstances affecting the cohort default rate calculation beginning on page 18.

The Department frequently receives questions about special circumstances that may affect how a particular loan is considered in calculating a cohort default rate. The following table addresses many of these situations.

Special Circumstances Affecting How Cohort Default Rates are Calculated

If...	Then...	And...
A **borrower had more than one loan enter repayment during the same fiscal year**	The borrower should be included in the denominator of the cohort default rate calculation in which the loan entered repayment. Cohort default rates are calculated based on an unduplicated borrower count. Therefore, if a borrower has more than one loan entering repayment in a single fiscal year, that borrower will only be counted once in the cohort default rate calculation.	The borrower should be included in the numerator of the cohort default rate calculation if the loan defaulted or met other specified conditions within the fiscal year in which the loan entered repayment or within the next fiscal year.
A **borrower has two or more separate loans** and the repayment dates for each of the loans fall into **separate cohort periods**	The borrower should be included in the denominators of the cohort default rate calculation in which the loans entered repayment. The same borrower can appear in two different cohort periods if the borrower has two separate loans and the repayment dates for each of the loans fall into separate fiscal years. However, the same loan cannot be used in more than one cohort period.	The borrower should be included in the numerators of the cohort default rate calculation if the loans defaulted or met other specified conditions within the fiscal year in which the loans entered repayment or within the next fiscal year.

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Special Circumstances Affecting How Cohort Default Rates are Calculated

If...	Then...	And...
A **borrower consolidated one or more of his/her loans**	The borrower should be included in the denominator(s) of the cohort default rate calculation in which the underlying loan(s) entered repayment.	If the consolidation loan defaulted or met other specified conditions within the fiscal year in which the underlying loan(s) entered repayment or within the next fiscal year, then the borrower should be included in the numerator(s) of the cohort default rate calculation(s).
A **borrower takes out loans at more than one school**	The loans obtained for attendance at one school are included in the denominator of that school's cohort default rate calculation and the loans obtained for attendance at any other schools are included in the denominator of the other school's cohort default rate calculation.	The loans obtained for attendance at one school are included in the numerator of that school's cohort default rate calculation and the loans obtained for attendance at the other schools are included in the numerator of the other school's cohort default rate calculation provided the loans default or meet other specified conditions within the fiscal year the loans entered repayment or within the next fiscal year.

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Special Circumstances Affecting How Cohort Default Rates are Calculated

If...	Then...	And...
A borrower entered repayment on a loan and defaulted on the loan in the fiscal year the loan entered repayment or the next fiscal year, but the loan was then **discharged due to death, bankruptcy, and/or disability**[12]	The borrower should be included in the denominator of the cohort default rate calculation based on the fiscal year the loan entered repayment.	The borrower should be included in the numerator of the cohort default rate calculation because the loan defaulted within the fiscal year the loan entered repayment or the next fiscal year and the loan defaulted prior to the death, bankruptcy, and/or disability.
Prior to default, the borrower's loan was **discharged due to death, bankruptcy, and/or disability**	The borrower should be included in the denominator of the cohort default rate calculation based on the fiscal year the loan entered repayment.	The borrower should NOT be included in the numerator of the cohort default rate calculation because the loan did not default prior to the death, bankruptcy, and/or disability.
A **payment is made on a loan by the school, its owner, agent, or another entity or individual affiliated with the school** to avoid default by the borrower[13]	The borrower should be included in the denominator of the cohort default rate calculation based on the fiscal year the loan entered repayment.	The borrower should be included in the numerator of the cohort default rate calculation because the loan is treated as in default for cohort default rate purposes.

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[12] 34 CFR § 682.402 and 685.212

[13] HEA § 435(m)(2)(B). 34 CFR § 668.17(d)(1)(ii)(B), (e)(2)(ii), and (f)(2)(ii)

Special Circumstances Affecting How Cohort Default Rates are Calculated

If...	Then...	And...
A loan was **fully refunded to the lender** within 120 days of disbursement	The borrower should NOT be included in the denominator of the cohort default rate calculation because cancelled loans are not included in the cohort default rate calculation.	The borrower should NOT be included in the numerator of the cohort default rate calculation because cancelled loans are not included in the cohort default rate calculation.
A borrower defaulted on a loan but it was **rehabilitated** before the end of the cohort period in which the borrower entered repayment[14]	The borrower should be included in the denominator of the cohort default rate calculation based on the fiscal year the loan entered repayment.	The borrower should NOT be included in the numerator of the cohort default rate calculation because the loan is not considered in default.
A borrower **paid the loan in-full after defaulting** on the loan and the borrower did not successfully rehabilitate his/her loan before the end of the cohort period in which the borrower entered repayment	The borrower should be included in the denominator of the cohort default rate calculation based on the fiscal year the loan entered repayment.	The borrower should be included in the numerator of the cohort default rate calculation because the loan defaulted within the fiscal year the loan entered repayment or the next fiscal year prior to the loan being paid in-full and it was not rehabilitated during the relevant cohort period.

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[14] HEA § 428 F (a), 435(m)(2)(C), and 34 CFR § 682 405(a) An FFEL Program loan is rehabilitated if a borrower has made 12 consecutive on-time monthly payments before the end of the cohort period in which the student entered repayment and the loan is sold to a lender. HEA § 451(b)(2), 455(a)(1), and 34 CFR § 685 211(e) A Direct Loan Program loan is rehabilitated if a borrower has made 12 consecutive on-time monthly payments before the end of the cohort period in which the borrower entered repayment

Special Circumstances Affecting How Cohort Default Rates are Calculated

If...	Then...	And...
A borrower **paid the loan in-full prior to the date** the student was originally **scheduled to enter repayment**	The borrower should be included in the denominator of the cohort default rate calculation based on the fiscal year that the borrower paid the loan in-full. The paid in-full date becomes the new repayment date.	The borrower should NOT be included in the numerator of the cohort default rate calculation because the loan never defaulted.
A borrower requested and was **granted a repayment schedule** that started **before the date** the student was originally **scheduled to enter repayment**	The borrower should be included in the denominator of the cohort default rate calculation based on the fiscal year that the early repayment schedule start date falls.	The borrower should NOT be included in the numerator of the cohort default rate calculation if the loan did not default.
A **lender repurchases a loan** because the guaranty agency determined that the lender failed to meet the insurance requirements	The loan should NOT be included in the denominator of the cohort default rate calculation because uninsured loans are not included in cohort default rate calculations.	The loan should NOT be included in the numerator of the cohort default rate calculation because uninsured loans are not included in cohort default rate calculations.
A **lender repurchases a loan** because it incorrectly submitted the loan to the guaranty agency AND the lender **immediately** requested that the loan be returned AND did not subsequently submit another claim	The loan should be included in the denominator of the cohort default rate calculation based on the fiscal year the loan entered repayment.	The loan should NOT be included in the numerator of the cohort default rate calculation because the loan is not a defaulted loan.

Special Circumstances Affecting How Cohort Default Rates are Calculated

If...	Then...	And...
A **lender repurchases a loan** because it incorrectly submitted the loan to the guaranty agency and the lender **immediately** requested that the loan be returned AND then the lender **subsequently submits another claim** on the loan and that claim is paid within the cohort period the loan entered repayment	The loan should be included in the denominator of the cohort default rate calculation based on the fiscal year the loan entered repayment.	The loan should be included in the numerator of the cohort default rate calculation because the loan is considered a defaulted loan.
A **lender repurchases a loan** because the borrower established **a new payment plan** and is making payments, or the lender/servicer simply requests the repurchase (i.e., a courtesy repurchase) AND the loan does not meet the rehabilitation criteria discussed on page 21.	The loan should be included in the denominator of the cohort default rate calculation based on the fiscal year the loan entered repayment.	The loan should be included in the numerator of the cohort default rate calculation because the loan is considered a defaulted loan for cohort default rate purposes.

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How do adding and subtracting loans from the cohort default rate calculation affect a school's cohort default rate?

The following chart describes the effect the movement of a loan has on a cohort default calculation.

Key	
Code	Description
CDR	Cohort Default Rate
N	Numerator
D	Denominator
B	Both Numerator and Denominator

Results of Adding and Subtracting Loans

Are there other loans for the same borrower that are CORRECTLY included in the cohort default rate calculation?	And the Department...	Then the following change to the cohort default rate results:
If the borrower has **no other loans** in the CDR calculation	Adds a **defaulted** loan	+B
	Adds a **non-defaulted** loan	+D
	Subtracts a **defaulted loan**	-B
	Subtracts a **non-defaulted** loan	-D
	Changes a **defaulted loan** to a **non-defaulted loan**	-N
If the borrower has **other non-defaulted loan(s)** in the CDR calculation	Adding a **defaulted** loan	+N
	Adding a **non-defaulted** loan	No effect
	Subtracting a **non-defaulted** loan	No effect
If the borrower has **other defaulted loan(s)** in the CDR calculation	Adding a **defaulted** loan	No effect
	Adding a **non-defaulted** loan	No effect
	Subtracting a **defaulted** loan	No effect
	Subtracting a **non-defaulted** loan	No effect

Note The loan record detail report data will not change as a result of a change in a school's cohort default rate. However, the Department will manually change a school's cohort default rate based upon the resolution of an appeal submitted after the release of the official cohort default rates.

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Effects of Official Cohort Default Rates

What are the effects of official cohort default rates?

The Higher Education Act of 1965, as amended (HEA), and the U.S. Department of Education (Department) regulations describe the sanctions that apply when a school's official cohort default rate(s) is at or above certain percentages. For cohort default rate purposes, a sanction is a specific restriction on a school's participation in the Title IV Student Financial Assistance Programs.

Please refer to pages 25 to 27 for additional information on the various sanctions associated with official cohort default rates.

The HEA and the Department's regulations also describe the benefits that apply when a school's official cohort default rate(s) is below certain percentages. For cohort default rate purposes, a benefit is provided in the form of a disbursement exemption.

Please refer to pages 32 and 33 for additional information on the various benefits associated with official cohort default rates.

What sanctions are associated with official cohort default rates?

The sanctions associated with official cohort default rates are:

- **initial loss**[1] of eligibility to participate in the:
  - FFEL Program;

    AND/OR

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Q. How does a school officially withdraw from participation in the FFEL Program and/or Direct Loan Program?

A. The process for withdrawing from the FFEL Program and/or Direct Loan Program is handled by the IPOS Case Management Team and the Direct Loan School Selection Team, respectively. For further information contact the:

- IPOS Case Management Team at 202-205-0183 for withdrawing from the FFEL Program;

  AND/OR

- Direct Loan School Selection Team at 202-708-9951 for withdrawing from the Direct Loan Program

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[1] 34 CFR § 668.17(a)(3), 668.17(b), HEA § 435(a)(2), and HEA § 401(j)

  - Direct Loan Program;

    AND

  - Federal Pell Grant Program.

  Initial loss of eligibility to participate in these programs occurs when a school's three most recent official cohort default rates (in this case FY 1995, FY 1996, and FY 1997) are equal to or greater than 25.0 percent.

  OR

- **extended loss**[2] of eligibility to participate in the:

  - FFEL Program;

    AND/OR

  - Direct Loan Program;

    AND

  - Federal Pell Grant Program.

  Extended loss of eligibility to participate in these programs occurs when a school lost FFEL Program and/or Direct Loan Program and Federal Pell Grant Program eligibility due to prior year official cohort default rates (in this case FY 1994, FY 1995, and FY 1996) AND the school's current year official cohort default rate (in this case FY 1997) is equal to or greater than 25.0 percent.

Note A school will not be subject to loss of Federal Pell Grant Program eligibility if a school officially withdrew (in writing) from the FFEL Program and/or Direct Loan Program on or before October 7, 1998 OR lost its eligibility to participate in the FFEL Program and/or Direct Loan Program on or before October 7, 1998 OR did not certify any FFEL Program and/or Direct Loan Program loans on or after July 7, 1998.

Q. If a school loses FFEL Program and/or Direct Loan Program and Federal Pell Grant Program eligibility, can it continue to disburse funds?

A. A school that loses FFEL Program and/or Direct Loan Program and Federal Pell Grant Program eligibility may continue to disburse funds after notification of the loss of the school's eligibility if the criteria at 34 CFR § 668.26 (c) and (d) are met.

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[2] 34 CFR § 668.17(a)(3), § 668.17(b), HEA § 435(a)(2), and HEA § 401(j)

OR

- **possible action to limit, suspend, and/or terminate (LS&T)**[3] a school's eligibility to participate in any or all Title IV Student Financial Assistance Programs. This occurs when a school's official cohort default rate is 40.1 percent or greater.

Note If a school is subject to an LS&T action based on its final cohort default rate, the school will be notified in writing of the intended action. If a school believes it has a basis to appeal its cohort default rate, it must follow the usual procedures set forth in the "Information for Schools on Appeals" section beginning on page 55. A school cannot wait to appeal its cohort default rate until it has been notified that the Department is pursuing an LS&T action.

What are the consequences associated with sanctions based on official cohort default rates?

A school subject to:

- **initial or extended loss** of FFEL Program and/or Direct Loan Program and Federal Pell Grant Program eligibility loses its eligibility to participate in that program for the remainder of the fiscal year in which the school became subject to the loss and for two subsequent fiscal years.[4]

Example: If a school is notified that it is subject to initial or extended loss of FFEL Program and/or Direct Loan Program and Federal Pell Grant Program eligibility in FY 1999, the school would lose its eligibility for the remainder of FY 1999 and for the next two fiscal years (i.e., FY 2000 and FY 2001). Therefore, the school would remain ineligible through September 30, 2001.

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[3] 34 CFR § 668.17(a)(2)

[4] 34 CFR § 668.17(b)(3)(i) and (ii)

Note If the Department fails to release official cohort default rates by the end of the fiscal year (i.e. September 30), the Department will determine a school's period of loss as if the cohort default rates were released on September 30.

- **LS&T** may have its eligibility to participate in any or all Title IV Student Financial Assistance Programs limited, suspended, and/or terminated.

Can a school appeal a notice of loss of eligibility resulting from official cohort default rates?

Yes, a school can appeal the Department's notice of loss of eligibility to participate in the FFEL Program and/or Direct Loan Program and Federal Pell Grant Programs. If eligible, a school may appeal based on:

- a request for adjustment;
- allegations of erroneous data;
- allegations of improper loan servicing and collection;

AND/OR

- exceptional mitigating circumstances.

However, in order to submit an appeal on any of these bases, a school must meet the eligibility criteria as described in the "Information for Schools on Appeals" section of this Guide.

Note The appeal procedures described in the "Information for Schools on Appeals" section beginning on page 55 provide the only methods for a school other than a Historically Black College and University, Tribally Controlled College, and Navajo College to appeal the Department's determination of the school's official cohort default rates. In other words, if a school fails to submit a timely cohort default rate appeal or submits an unsuccessful cohort default rate appeal, the Department's determination on the school's official cohort default rates is final.

For more information on submitting cohort default rate appeals, please refer to the sections entitled "Request for Adjustment," "Erroneous Data Appeal," "Improper Loan Servicing and Collection Appeal," and "Exceptional Mitigating Circumstances Appeal" beginning on pages 65, 77, 111, and 141, respectively.

As of July 1, 1999, a Historically Black College and University, Tribally Controlled College, and Navajo College subject to the loss of eligibility to participate in the FFEL Program and/or Direct Loan Program and Federal Pell Grant Program due to cohort default rates that are equal to or greater than 25.0 percent for the three most recent fiscal years may continue to participate in the programs if the school:

- submits an acceptable default management plan;
- engages an independent third-party to assist in implementing the plan;

AND

- demonstrates that the plan has been successfully implemented and the school's cohort default rate will be 24.9 percent or lower by July 1, 2002.

Note The Department has issued interim guidance dated April 1999 that clarifies these requirements. For a copy of this guidance, contact the Department's Default Management Division at 202-708-9396 or at OSFA_IPOS_Default_Management_Division@ed.gov.

What are the consequences of an unsuccessful cohort default rate appeal?

In addition to losing eligibility to participate in the FFEL Program and/or Direct Loan Program and Federal Pell Grant Program, Section 435(a)(2)(A)(iii) of the HEA requires a school that submits an unsuccessful cohort default rate appeal to pay the Secretary an amount equal to the amount of interest and special allowance, reinsurance, and any other related or similar payments which the Secretary is (or could be) obligated to pay as a result of any FFEL Program and Direct Loan Program loans certified/delivered and originated/disbursed beginning 30 calendar days after the school received notification of its cohort default rate until it withdraws the cohort default rate appeal or receives notification that the cohort default rate appeal was unsuccessful.[5]

Q. If a school loses FFEL Program and/or Direct Loan Program and Federal Pell Grant Program eligibility, can it continue to disburse funds?

A. A school that loses FFEL Program and/or Direct Loan Program and Federal Pell Grant Program eligibility may continue to disburse funds after notification of the loss of the school's eligibility if the criteria at 34 CFR § 668.26 (c) and (d) are met.

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[5] HEA § 435(a)(2)(A)(iii)

Note At the time this Guide went to print, the final regulations implementing changes to the cohort default rate process made by the 1998 Amendments to the HEA had not yet been finalized. Therefore, a school must consult the final regulations to ensure it meets all legal requirements.

When does the school's loss of eligibility to participate in the FFEL Program and/or Direct Loan Program and Federal Pell Grant Program become effective?

The effective date of the school's loss depends on whether the school appeals.

◆ **If a school does not appeal,** a school's participation in the FFEL Program and/or Direct Loan Program and Federal Pell Grant Program ends 30 calendar days after the date the school first receives notice that it is subject to the loss of eligibility.[6]

◆ **If a school timely appeals** its loss of eligibility to participate in the FFEL Program and/or Direct Loan Program and Federal Pell Grant Program, the school remains eligible to participate in the FFEL Program and/or Direct Loan Program and Federal Pell Grant Program until the school's receipt of the Department's final decision on the school's appeal(s) that indicates that the school's appeal(s) was unsuccessful.

Note **If a school timely appeals** its loss of eligibility to participate in the FFEL Program and/or Direct Loan Program and Federal Pell Grant Program **and is successful,** the Department will withdraw the school's loss of eligibility notification.

Q. How does a school officially reapply for participation in the FFEL Program and/or Direct Loan Program and Federal Pell Grant Program?

A. To reapply for participation in the FFEL Program and/or Direct Loan Program and Federal Pell Grant Program, contact the

- IPOS Case Management Team at (202) 205-0183 for participation in the **FFEL Program and Federal Pell Grant Program;**

AND/OR

- Direct Loan School Selection Team at (202) 708-9951 for participation in the **Direct Loan Program**

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[6] 34 CFR 668.17(b)(1), (b)(2), and (b)(3)

Are there any exceptions to the sanctions associated with official cohort default rates?

In addition to being exempt from sanctions due to a successful cohort default rate appeal, a school may not be subject to certain sanctions despite its cohort default rates if —

- a school has an **unofficial cohort default rate** as described in the "Cohort Default Rates" section on page 11. An unofficial cohort default rate will not be used to end a school's eligibility to participate in any Title IV Student Financial Assistance Programs.

- a school has an **average cohort default rate with less than five borrowers entering repayment in any of the three most recent cohort periods**. A school that has an average cohort default rate with less than five borrowers entering repayment in any of the three most recent cohort periods will NOT be subject to an LS&T action based on the average cohort default rate.[7]

AND/OR

- a school has submitted, prior to the release of the official cohort default rates, a successful **participation rate index challenge** based on its most recent draft cohort default rate (in this case FY 1997) or on either of its two previous official cohort default rates (in this case FY 1995 or FY 1996). A school that has submitted a successful participation rate index challenge based on its draft cohort default rate or two previous official cohort default rates will NOT be subject to initial and/or extended loss of its eligibility to participate in the FFEL Program and/or Direct Loan Program and Federal Pell Grant Program.

Note If a school's successful participation rate index challenge is based on its FY 1995 or FY 1996 **official** cohort default rate, the school's FY 1995 or FY 1996 official cohort default rate will not be used in the future to determine if the school is subject to the loss of loan program eligibility under § 435(a)(2) of the HEA.

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[7] Preamble to Student Assistance General Provisions, Final Rule dated December 1, 1995 (60 Federal Register 61764)

If a school's successful participation rate index challenge is based on its FY 1997 **draft** cohort default rate, the school's FY 1997 official cohort default rate will be used to determine if the school is subject to the loss of loan program eligibility under § 435(a)(2) of the HEA **after the release of the FY 1998 official cohort default rates**, if the school's FY 1998 official cohort default rate is equal to or greater than 25.0 percent.

Are there any benefits for schools with low cohort default rates?

Yes. There are two types of benefits that are available to certain schools with cohort default rates that are below established thresholds.

- All schools for which the school's **three most recent (in this case FY 1995, FY 1996, and FY 1997) official cohort default rates are 9.9 percent or lower** may:
    - make **single disbursements** to a student if that student's period of enrollment is equal to or less than:
        - one semester;
        - one trimester;
        - one quarter;

          OR
        - four months,

      AND
    - may choose not to **delay disbursements for first time borrowers.**
- Schools that are certifying/originating a loan to cover the cost of attendance in a **study abroad program where the school's most recent official cohort default rate is 4.9 percent or less** may:

- make a **single disbursement** to the student studying abroad;

AND

- may decide not to **delay the disbursement for first time borrowers studying abroad.**

Note At the time this Guide went to print, the final regulations implementing this change to the cohort default rate process which was made by the 1998 Amendments to the HEA had not yet been finalized. Therefore, a school must consult the final regulations to ensure it meets all legal requirements.

Loan Record Detail Report

◆

What is a loan record detail report?

A loan record detail report, formerly referred to as backup data or BUD, is a report sent to eligible postsecondary schools (schools) participating in the Federal Family Education Loan (FFEL) Program and/or William D. Ford Federal Direct Loan (Direct Loan) Program. The report contains information on FFEL Program and/or Direct Loan Program loans which were used to calculate a school's cohort default rate. The loan record detail report lists a school's loan activity, including but not limited to:

- the number of borrowers who entered repayment during a given fiscal year;
- the loan status of those borrowers;

  AND

- the school's cohort default rate.

Which schools receive official loan record detail reports?

The U.S. Department of Education (Department) sends the most recent official loan record detail report to a school if its most recent official cohort default rate (in this case FY 1997) is 10.0 percent or greater. If a school's three most recent official cohort default rates (in this case FY 1997, FY 1996, and FY 1995) are equal to or greater than 25.0 percent, the Department sends the school its three most recent official loan record detail reports. In addition, if a school's most recent official cohort default rate is an average cohort default rate, the Department will send the school its three most recent official loan record detail reports.

Q. What is an average cohort default rate?

A. An average cohort default rate is calculated if a school has 29 or fewer borrowers entering into repayment on FFEL and/or Direct Loan Program Loans in a given fiscal year. Please refer to page 9 in the "Cohort Default Rates" section for more information on how an average cohort default rate is calculated.

Note If a school receives a loan record detail report for a previous fiscal year, the loan record detail report will not reflect any changes that the Department agreed to change as a result of a cohort default rate appeal. The school must refer to the appropriate appeal determination letter(s) to determine the changes made to its cohort default rate data.

If a school would like to review its loan record detail report, **but did not receive it**, the school should use the form on page 53 to request the report. The request must be submitted to the Department within **10 working days** of receiving the FY 1997 official cohort default rate notification letter.

Note It is important that schools maintain a copy of all loan record detail reports received from the Department. These reports will be useful if a school files an appeal at a later date.

Why should a school review its official loan record detail report?

A school should review its report to verify the data used to calculate its official cohort default rate. The data is used to determine if the school may be subject to sanctions or may receive certain benefits, so it is important that the school verify the accuracy of the data. If errors are found, a school may qualify to file a request for adjustment and/or an erroneous data appeal.

Note The school's receipt of the official loan record detail report marks the start of strict regulatory time frames during which the school may appeal its official cohort default rate(s). The school's failure to timely exercise any rights to appeal will result in a loss of those rights.

What should a school review in its official loan record detail report?

A school should review the data in its loan record detail report to determine if it should submit a request for adjustment or erroneous data appeal.

When determining if a school should submit a **request for adjustment**, the school should reconcile the responses it received from its draft data challenges with the official loan record detail report to verify that the changes correctly agreed to during the draft data challenge are properly reflected in the school's FY 1997 official loan record detail report.

Q. What is a draft data challenge?

A. A draft data challenge is the process used by a school to correct cohort default rate data before the *official* cohort default rates are calculated

Please refer to the Department's *FY 1997 Draft Cohort Default Rate Guide* for additional information on draft data challenges

Note If a school identifies changes that were correctly agreed to during the draft data challenge that are not reflected in the official loan record detail report, the school may be eligible to submit a request for adjustment to the Department within **30 calendar days** of receiving its official loan record detail report.

Please refer to the section entitled "Request for Adjustment" on page 65 for more information.

When checking for **erroneous data**, a school should cross reference its official loan record detail report with its records and information from outside sources, including but not limited to lenders, borrowers, guaranty agencies, the Department's Direct Loan servicer, and other schools where former borrowers are enrolled. The school should verify that there is no incorrect data in the loan record detail report, such as:

- the loans included in the official loan record detail report are **incorrectly reported** (i.e., the date entered repayment or default date is incorrect);

  AND/OR

- no loans that should have been included were **omitted** from the official loan record detail report.

Note If a school finds what it believes to be errors in the official loan record detail report, the school may be eligible to submit a written challenge of the data within **10 working days**[1] of receiving its official cohort default rate notification letter.

Please refer to the section entitled "Erroneous Data Appeal" on page 77 for more information.

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[1] 34 CFR § 668.17(c)(8)(i)

How does the Department produce loan record detail reports?

The Department produces loan record detail reports using loan information that has been electronically submitted to the National Student Loan Data System (NSLDS) by guaranty agencies and various offices within the Department.

Note The Department currently provides schools with hardcopy loan record detail reports. However, in the near future, the Department intends to make these reports available in an electronic format that will assist schools in reviewing the cohort default rate data.

Will a school's draft cohort default rate data and official cohort default rate data be the same?

Not necessarily. Since NSLDS is regularly updated; a school's **draft** data might differ from its **official** data, even if a school did not challenge the cohort default rate data after the release of the draft cohort default rates.

Note If incorrect new data appears in a school's official cohort default rate calculation, the school may be eligible to appeal its cohort default rate based on allegations of erroneous data.

Please refer to the "Erroneous Data Appeal" section beginning on page 77 for additional information on appealing an official cohort default rate based on allegations of incorrect new data.

Are the loan record detail reports subject to the Privacy Act?

Yes, the Privacy Act of 1974 and the Family Educational Rights and Privacy Act (FERPA) apply to all cohort default rate related loan record detail reports, since these reports contain personally identifying information about borrowers who received FFEL Program and/or Direct Loan Program loans. The use of this material may also be governed by state and local laws and regulations. Recipients should take appropriate steps to safeguard this material, guarantee that it is used appropriately, and ensure that it is discarded properly.

How does a school read a loan record detail report?

There are three sections to a loan record detail report. The sections are the title, body, and summary. Each section is explained in depth below. In addition, a full page sample of the loan record detail report is shown on page 51.

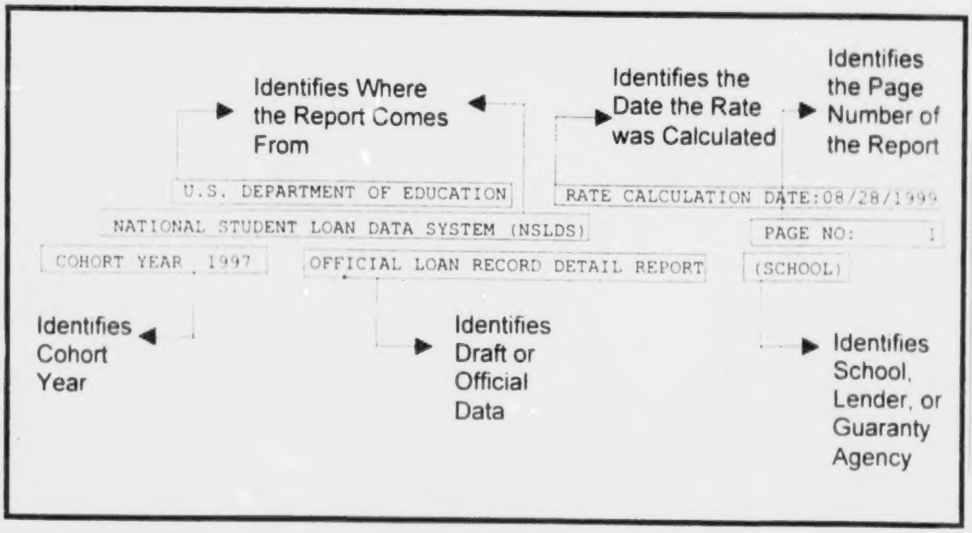
TITLE

The title section is located at the top of each page of the loan record detail report. This section provides information about the report.

The first line of the title section identifies that the loan record detail report is produced by the **U.S. Department of Education**. The first line also identifies the **Rate Calculation Date**. This is the date that the cohort default rate reflected on the loan record detail report was calculated. The Rate Calculation date is also known as the run date.

The second line of the title section identifies that the data on the loan record detail report is generated from the National Student Loan Data System (**NSLDS**). It also identifies the **Page Number**.

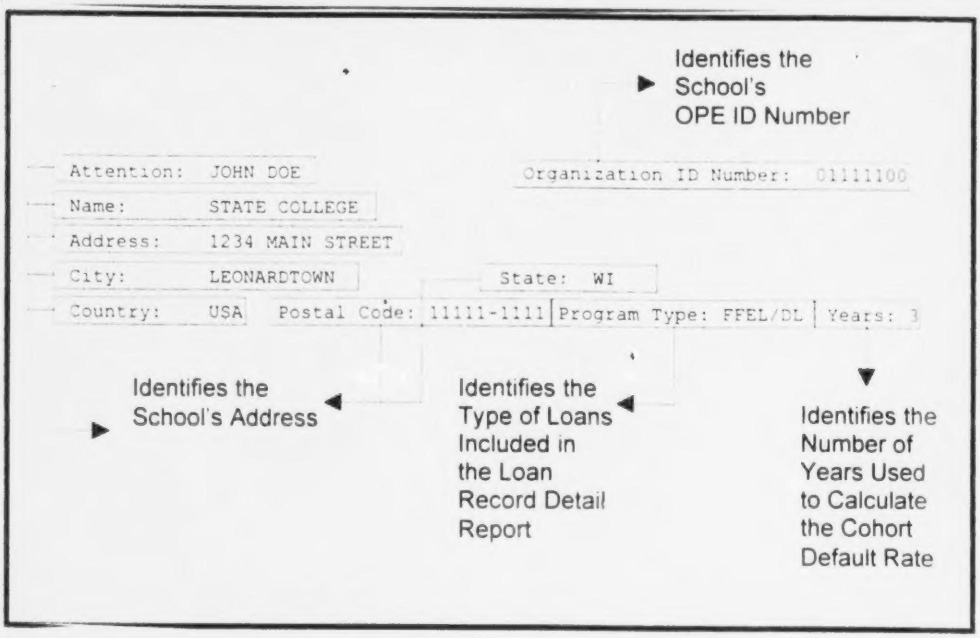
The third line of the title section identifies the **Cohort Year** associated with the loan record detail report. It also identifies whether the loan record detail report represents draft or official cohort default rate data **(Draft Loan Record Detail Report** or **Official Loan Record Detail Report)**. The third line of the title section also identifies that the loan record detail report contains information related to a school's **(School)** cohort default rate rather than a lender or guaranty agency's cohort default rate.


Identifies Where the Report Comes From
Identifies the Date the Rate was Calculated
Identifies the Page Number of the Report
U.S. DEPARTMENT OF EDUCATION
RATE CALCULATION DATE:08/28/1999
NATIONAL STUDENT LOAN DATA SYSTEM (NSLDS)
PAGE NO: 1
COHORT YEAR 1997
OFFICIAL LOAN RECORD DETAIL REPORT
(SCHOOL)
Identifies Cohort Year
Identifies Draft or Official Data
Identifies School, Lender, or Guaranty Agency

The title section also provides specific information about the school associated with the data contained in the report.

The fourth line of the title section identifies, if applicable, whose **Attention** the loan record detail report should be directed to at the school. This line also identifies the school's **Organization ID Number**, which is the same as the OPE (Office of Postsecondary Education) ID Number. The next four lines listed on the loan record detail report contain the school's **Name**, **Address**, **City**, **State, Country,** and **Postal Code.** The last line also lists the **Program Type**. The Program Type identifies the type of loans included in the loan record detail report. Finally, the last line provides the number of **Years** used to calculate the school's cohort default rate.

Note: If a school has 29 or fewer borrowers listed on its loan record detail report and had cohort default rates calculated for the two previous years, the school's official cohort default rate will be an average cohort default rate and will be based on three years of data.



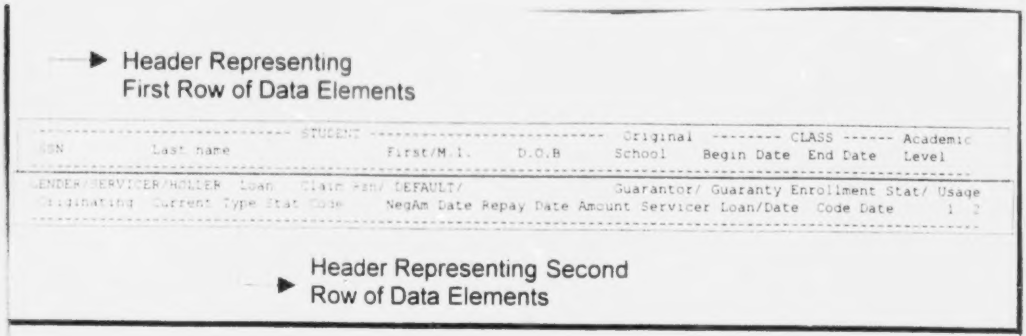
Attention: JOHN DOE
Organization ID Number: 01111100
Name: STATE COLLEGE
Address: 1234 MAIN STREET
City: LEONARDTOWN
State: WI
Country: USA
Postal Code: 11111-1111
Program Type: FFEL/DL
Years: 3

Identifies the School's OPE ID Number
Identifies the School's Address
Identifies the Type of Loans Included in the Loan Record Detail Report
Identifies the Number of Years Used to Calculate the Cohort Default Rate

Please refer to page 51 for a composite representation of the title section of the loan record detail report.

BODY

Following the title section, there are two horizontal rows set off by hashed lines. These rows contain headers for the data contained in the body of the report. The headers are shown below.

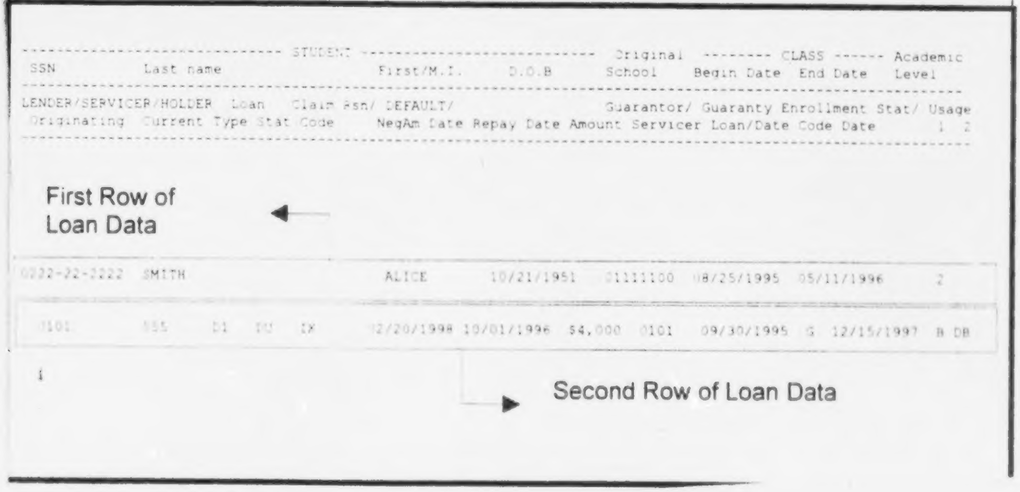


Header Representing First Row of Data Elements

```
------------------------------ STUDENT ------------------------------ Original  -------- CLASS ------ Academic
SSN          Last name                First/M.I.      D.O.B       School    Begin Date  End Date   Level
------------------------------------------------------------------------------------------------------------
LENDER/SERVICER/HOLDER  Loan   Claim Rsn/ DEFAULT/                   Guarantor/ Guaranty Enrollment Stat/ Usage
Originating  Current Type Stat Code     NegAm Date Repay Date Amount Servicer Loan/Date  Code Date      1  2
------------------------------------------------------------------------------------------------------------
```

Header Representing Second Row of Data Elements

The data listed under the headers is information on the loans used to calculate the school's cohort default rate. The headers correspond to the various data elements provided for each loan. **Each loan has two rows of information.**



```
------------------------------ STUDENT ------------------------------ Original  -------- CLASS ------ Academic
SSN          Last name                First/M.I.      D.O.B       School    Begin Date  End Date   Level
------------------------------------------------------------------------------------------------------------
LENDER/SERVICER/HOLDER  Loan   Claim Rsn/ DEFAULT/                   Guarantor/ Guaranty Enrollment Stat/ Usage
Originating  Current Type Stat Code     NegAm Date Repay Date Amount Servicer Loan/Date Code Date       1  2
------------------------------------------------------------------------------------------------------------
```

First Row of Loan Data

```
0222-22-2222  SMITH                   ALICE       10/21/1951   01111100  08/25/1995  05/11/1996      2

0101         555     D1   TU   IX     02/20/1998 10/01/1996  $4,000  0101   09/30/1995  G  12/15/1997  B DB
1
```

Second Row of Loan Data

Each of the data elements listed on the loan record detail report is described in detail on the following pages.

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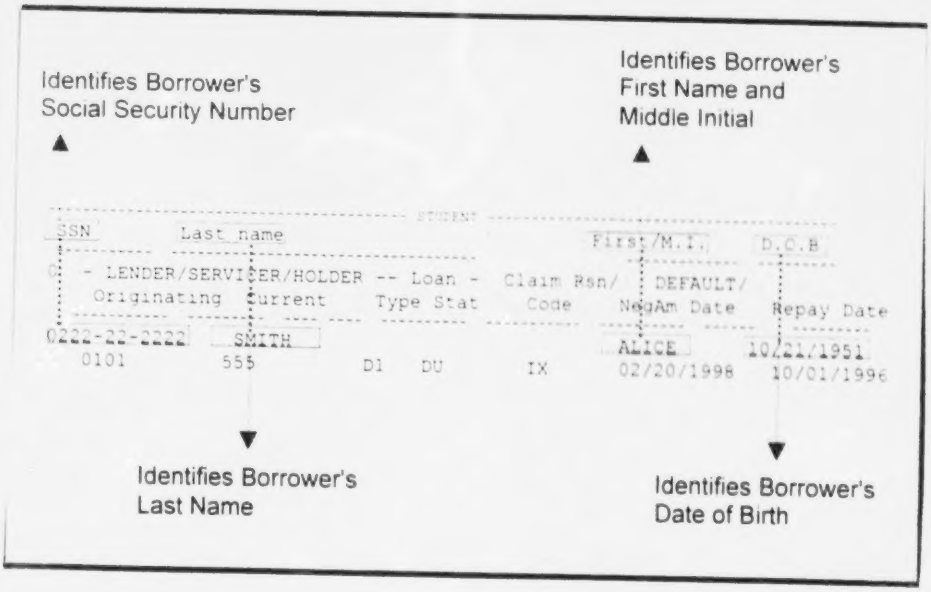
The first row of loan data contains eight elements.

The first four elements in the first row of loan data identify the borrower associated with the loan. These elements are the borrower's:

- **SSN** (Social Security Number);
- **Last Name**;
- **First/M.I.** (First Name and Middle Initial);

  AND
- **D.O.B.** (Date of Birth).



Identifies Borrower's Social Security Number

Identifies Borrower's First Name and Middle Initial

```
---------------------------------- STUDENT ------------------------------------------
SSN          Last_name                                            First/M.I.    D.O.B
----------  ------------------------------                         -----------  --------
C  - LENDER/SERVICER/HOLDER -- Loan -  Claim Rsn/   DEFAULT/
   Originating  Current     Type Stat    Code       NegAm Date    Repay Date
 ----------  --------  ---- ----  ---------  ----------  ----------  -----    --------
0222-22-2222  SMITH                                               ALICE        10/21/1951
    0101       555              D1    DU        IX        02/20/1998    10/01/1996
```

Identifies Borrower's Last Name

Identifies Borrower's Date of Birth

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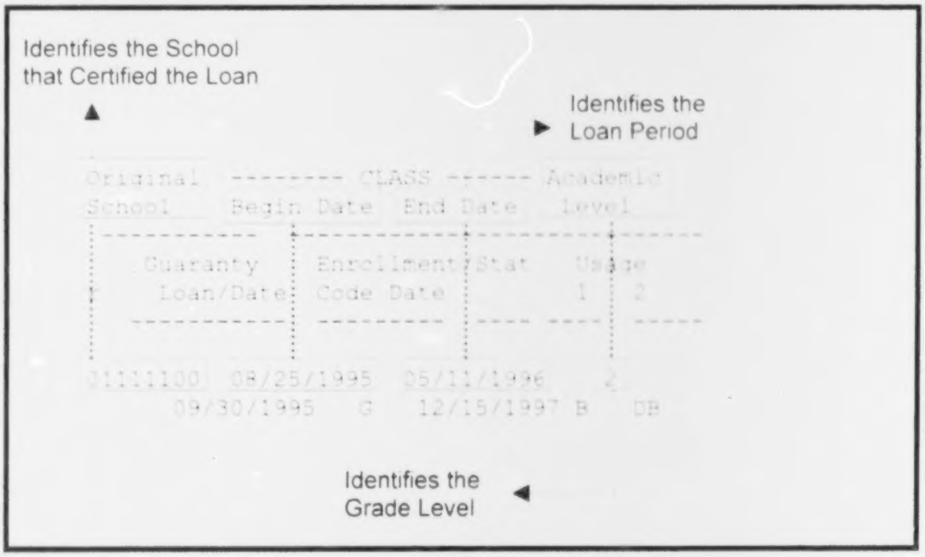
The last four elements in the first row of loan data identify:

- the **Original School**, which is the OPE ID number of the school that certified the loan;
- the **Class Begin Date** and **Class End Date**, which reflect the loan period of the loan;

  AND

- the **Academic Level,** which reflects the grade level of the borrower when the loan was obtained.



```
Original  --------- CLASS ------ Academic
School    Begin Date  End Date    Level
 ------------------------------------------------
   Guaranty    Enrollment Stat    Usage
    Loan/Date  Code Date             1    2
  -----------  ---------  ---- ----  -----

01111100  08/25/1995  05/11/1996    2
       09/30/1995   G   12/15/1997 B    DB
```

Academic Level	
Code	**Description**
1	Freshman/First Year
2	Sophomore/ Second Year
3	Junior/Third Year
4	Senior/Fourth Year
5	Fifth Year/Other
A	First Year Graduate/ Professional
B	Second Year Graduate/ Professional
C	Third Year Graduate/ Professional
D	Beyond Third Year Graduate/ Professional
G	Graduate/ Professional
N	Not Available

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Loan Type Codes	
Code	**Description**
CL	FFEL Consolidated Loan
D1	Direct Loan Subsidized Stafford Loan
D2	Direct Loan Unsubsidized Stafford Loan
D4	Direct Loan PLUS Loan
D5	Direct Loan Consolidated Unsubsidized Stafford Loan
D6	Direct Loan Consolidated Subsidized Stafford Loan
D7	Direct Loan Consolidated PLUS Loan
PL	FFEL PLUS Loan
SF	FFEL Subsidized Stafford Loan
SL	FFEL Supplemental Loans for Students Loan
SU	FFEL Unsubsidized Stafford Loan

Loan Status Codes	
Code	**Description**
AE	Assigned to the U.S. Department of Education
BC	Bankruptcy Claim, Discharged
BK	Bankruptcy Claim, Active
CA	Cancelled
DA	Deferred
DB	Defaulted, then Bankrupt, Active, Chapter 13
DC	Defaulted, Compromise
DD	Defaulted, then Died
DE	Death
DI	Disability
DK	Defaulted, then Bankrupt, Discharged, Chapter 13
DL	Defaulted, in Litigation
DO	Defaulted, then Bankrupt, Active, Other
DP	Defaulted, Paid-In-Full
DS	Defaulted, then Disabled
DT	Defaulted, Collection Terminated
DU	Defaulted, Unresolved
DW	Defaulted, Write-Off
DX	Defaulted, Six Consecutive Payments
FB	Forbearance
ID	In School or Grace Period
OD	Defaulted, then Bankrupt, Discharged, Other
PC	Paid-In-Full through Consolidation Loan
PF	Paid-In-Full
RF	Refinanced
RP	In Repayment
UI	Uninsured

The second row of loan data contains 14 elements.

The first four elements in the second row of the loan data identify:

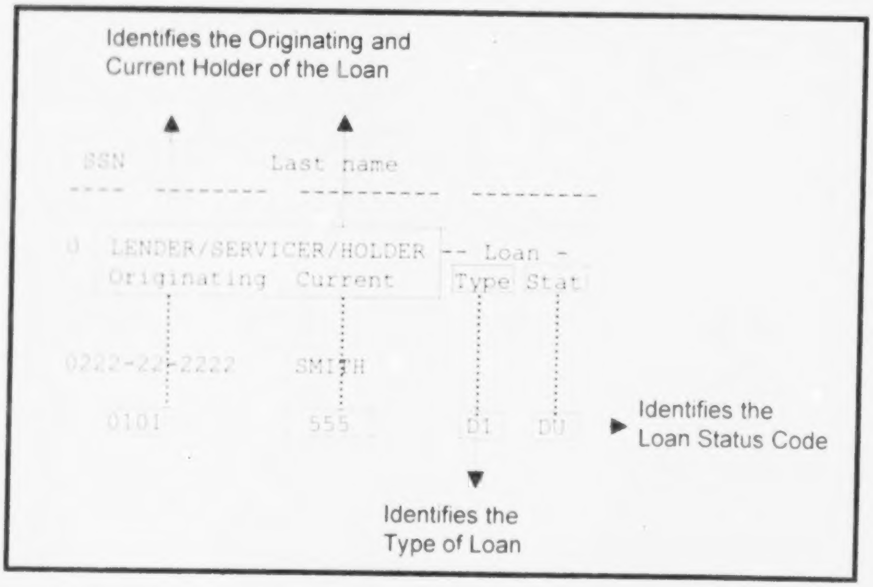
◆ the **Originating Lender/Servicer/Holder** which represents the entity that provided the loan to the borrower;

◆ the **Current Lender/Servicer/Holder** which represents the last entity to hold the loan at the time the cohort default rate was calculated;

◆ the **Loan Type**, which identifies whether the loan is a Direct Loan Program loan or an FFEL Program loan and whether or not the loan is subsidized;

AND

◆ the **Loan Stat**, which identifies the repayment/default status of the loan at the time the cohort default rate was calculated.


Identifies the Originating and Current Holder of the Loan
Identifies the Loan Status Code
Identifies the Type of Loan

```
 SSN             Last name
----  --------  ----------  ---------

0  LENDER/SERVICER/HOLDER -- Loan -
   Originating  Current     Type Stat

0222-22-2222    SMITH

   0101          555         D1   DU
```

Note The current holder for ALL **defaulted** Direct Loan Program loans is the Department (represented by a "555" current holder code). However, all inquiries regarding Direct Loan Program loans should be sent to the Department's Direct Loan servicer at the address provided in "Appendix B".

The next three elements in the second row of loan data identify:

- the **Claim Reason Code**, which identifies why a claim was paid on an FFEL Program loan or if a Direct Loan Program loan has defaulted or, for non-degree granting proprietary schools, if the loan has entered into an income contingent repayment plan that has resulted in negative amortization;
- the **Default/NegAm Date**, which identifies the date a default claim was paid on an FFEL Program loan or the 271st day of delinquency for a Direct Loan Program loan or, for non-degree granting proprietary schools, the 271st day of an income contingent repayment plan with payments of less than fifteen dollars per month that result in negative amortization;

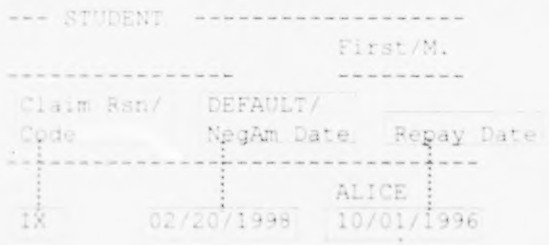
Note The Default/NegAm Date determines if a loan is included in the numerator of the cohort default rate calculation.

AND

- the **Repay Date**, which identifies the date the borrower entered into repayment on the loan.

Note The Repay Date determines if a loan is included in the denominator of the cohort default rate calculation.

Identifies the Claim Paid Date or the 271st Day of Delinquency or 271st Day of Certain Income Contingent Repayment Plans (Numerator)



```
--- STUDENT  ------------------
                        First/M.
----------------        ---------
 Claim Rsn/    DEFAULT/
 Code          NegAm Date   Repay Date
-----------------------------------
                        ALICE
 IX         02/20/1998  10/01/1996
```

Identifies the Claim Reason Code

Identifies the Date the Loan Entered Repayment (Denominator)

Claim Reason Codes

Code	Status
BC	FFEL Bankruptcy, Chapter 13
BO	FFEL Bankruptcy, Other
CS	FFEL Closed School
DE	FFEL Death
DF	FFEL Default
DI	FFEL Disability
EX	FFEL Exempt
FC	FFEL False Certification
IN	Direct Loan, Income Contingent Negative Amortization for non-degree granting proprietary schools
IX	Direct Loan, Defaulted Loan

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The next three elements in the second row of loan data identify:

- the **Amount**, which identifies the original amount of the loan;

- the **Guarantor/Servicer**, which identifies the entity that is responsible for responding to a school's inquiry about the status of the loan;

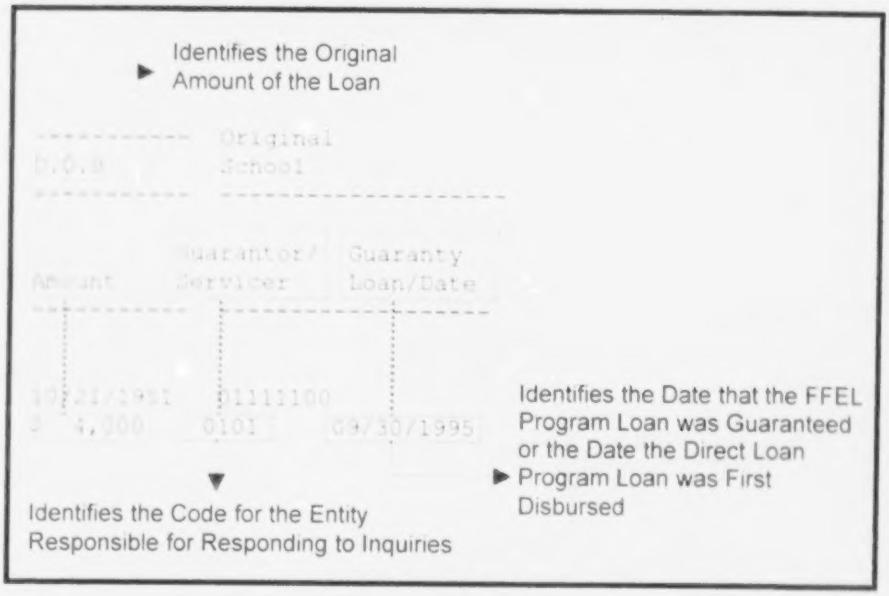
Note The entities responsible for responding to a school's inquiries are:

1) guaranty agencies;
2) the Department's Default Management Division; AND
3) the Department's Direct Loan servicer.

A school should submit challenges to these organizations at the addresses provided beginning on page 3 of "Appendix A" for FFEL Program Loans and page 1 of "Appendix B" for Direct Loan Program Loans.

AND

- the **Guaranty Loan/Date**, which identifies the date that the guaranty agency insured an FFEL Program loan or the first date of disbursement for a Direct Loan Program loan.



```
-----------   Original
D.O.B         School
-----------   --------------------

              Guarantor/  Guaranty
Amount        Servicer    Loan/Date
-----------   ------------------
10/21/1951    01111100
$ 4,000       0101        09/30/1995
```

Identifies the Original Amount of the Loan
Identifies the Code for the Entity Responsible for Responding to Inquiries
Identifies the Date that the FFEL Program Loan was Guaranteed or the Date the Direct Loan Program Loan was First Disbursed

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The final four elements in the second row of loan data identify:

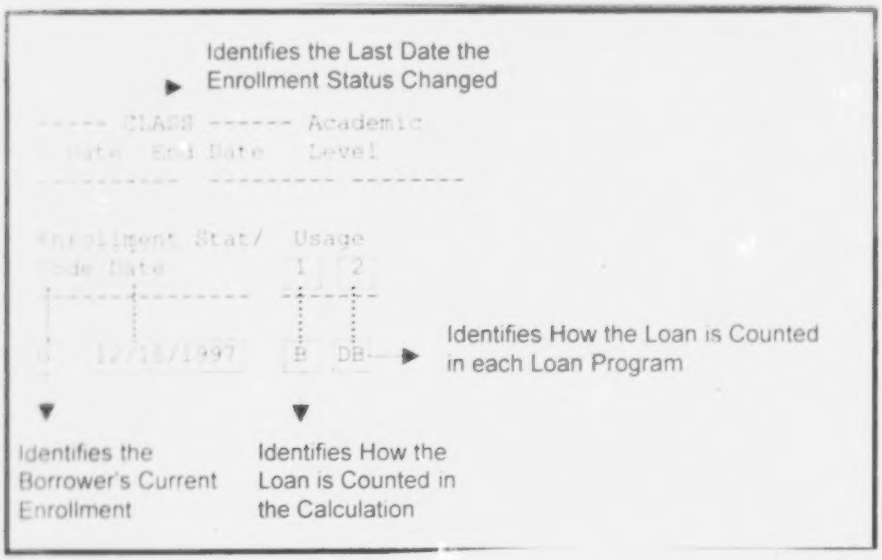
- the **Enrollment Status Code**, which identifies the borrower's enrollment status at the time the cohort default rate was calculated;
- the **Enrollment Status Date**, which indicates the last date the borrower's enrollment status changed. If no data is available, the guaranty agency or Direct Loan servicer may use 01/01/1900;

Note The enrollment status code and date do not necessarily reflect the borrower's enrollment at the school reported on the loan record detail report. The enrollment status code and date may reflect subsequent enrollment by the borrower at a different school.

- the **Usage code 1**, which identifies how the loan is used in the school's cohort default rate calculation;

AND

- the **Usage code 2**, which identifies how the loan is counted in each individual loan program (i.e. the FFEL Program and/or the Direct Loan Program). The individual loan program count is summarized on the final page of the report.


Identifies the Last Date the Enrollment Status Changed
----- CLASS ------ Academic
Date End Date Level
Enrollment Stat/ Usage
Code Date 1 2
12/18/1997
B
DB
Identifies How the Loan is Counted in each Loan Program
Identifies the Borrower's Current Enrollment
Identifies How the Loan is Counted in the Calculation

Enrollment Status Code

Code	Description
A	Approved leave of absence
D	Deceased
F	Full time
G	Graduated
H	Half time or more, but less than full time
L	Less than half time
N	Not available
W	Withdrawn
X	Never attended
Z	No record found

Usage Code 1 Cohort Default Rate Usage

Code	Description
D	Denominator only
B	Both Numerator and Denominator
N	Not Used
E	Eligible, but not counted

Usage Code 2 FFEL Program and/or Direct Loan Program Usage

Code	Description
FD	FFEL Program Denominator only
FB	FFEL Program Numerator and Denominator
DD	Direct Loan Program Denominator only
DB	Direct Loan Program Numerator and Denominator
IC	Direct Loan Program NegAm/ICR Numerator and Denominator
N	Not Used (FFEL Program and/or Direct Loan Program)
E	Eligible, but not counted (FFEL Program and/or Direct Loan Program)

Please refer to page 51 for a composite representation of the body section of the loan record detail report.

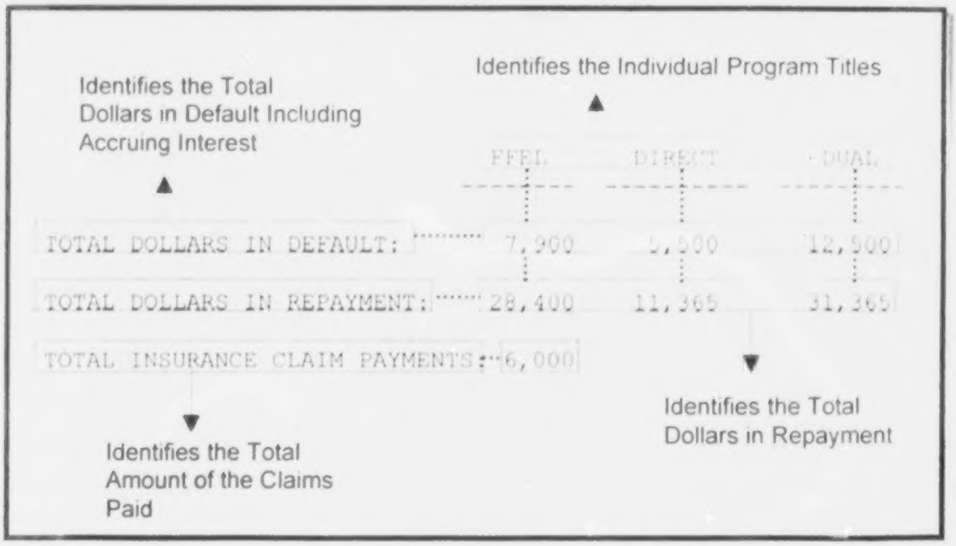
SUMMARY

On the last page of the loan record detail report is a summary of the data contained in the report.

The first line of the summary provides the **Total Dollars in Default**. The FFEL Program and Direct Loan Program entries within this field indicate the total outstanding balance (including any interest that has accrued on the loan since it went into default) for the defaulted loans that are included in the cohort default rate calculation. The Dual Program entry represents the outstanding balance for only one defaulted loan for each borrower included in the cohort default rate calculation.

The second line of the summary provides the **Total Dollars in Repayment**. The FFEL Program and Direct Loan Program entries within this field indicate the total dollar volume for loans that have entered repayment during the cohort period in question. The Dual Program entry represents the dollars in repayment for only one loan for each borrower included in the cohort default rate calculation.

The third line of the summary provides the **Total Insurance Claim Payments** for FFEL Program loans. The Total Insurance Claim Payments for FFEL Program loans indicate the actual amount of the claims that the guaranty agency paid. This amount may not equal the Total Dollars in Default for FFEL Program loans since the Total Dollars in Default includes interest that has accrued on the loan(s) since the loan(s) went into default. The Total Insurance Claim Payments does not include this additional amount.



Identifies the Total Dollars in Default Including Accruing Interest

Identifies the Individual Program Titles

```
                                  FFEL      DIRECT      DUAL
                                 -------   ---------  --------
TOTAL DOLLARS IN DEFAULT:          7,900     5,500     12,500
TOTAL DOLLARS IN REPAYMENT:       28,400    11,365     31,365
TOTAL INSURANCE CLAIM PAYMENTS:    6,000
```

Identifies the Total Amount of the Claims Paid

Identifies the Total Dollars in Repayment

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The fourth line of the summary provides the **Actual Numerator Count** and the **Report Count** for the numerator of the cohort default rate calculation. The Actual Numerator Count is the total number of unduplicated borrowers included in the numerator of the cohort default rate calculation. The Report Count for the numerator represents the unduplicated borrowers listed on the loan record detail report with a "B" in the Usage Code 1 field.

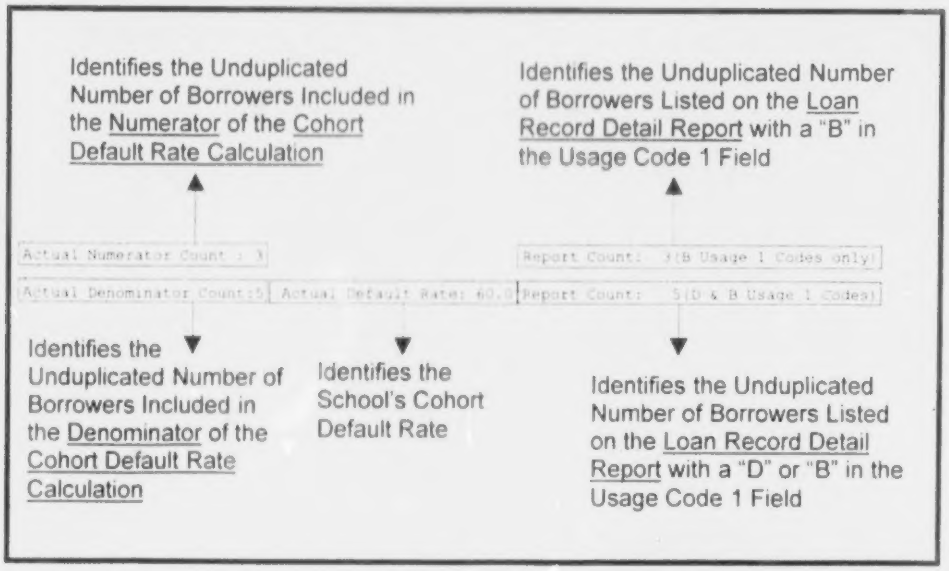
The fifth line of the summary provides the **Actual Denominator Count** and the **Report Count** for the denominator of the cohort default rate calculation. The Actual Denominator Count is the total number of unduplicated borrowers included in the denominator of the cohort default rate calculation. The Report Count for the denominator represents the unduplicated borrowers listed on the loan record detail report with a "D" or "B" in the Usage Code 1 field.

Note The Actual Counts and the Report Counts may differ on the official loan record detail report if the school's official cohort default rate was changed due to a cohort default rate appeal. The changes resulting from the cohort default rate appeal are reflected in the Actual Counts but NOT in the Report Counts.

The fifth line of the summary also provides the **Actual Default Rate**. The Actual Default Rate is, in most cases, the school's cohort default rate. However, if a school has 29 or fewer borrowers entering repayment in the cohort period in question or if the school is involved in a combination, substitution or merger, the Actual Default Rate will not reflect the school's cohort default rate.

Q. How does a school determine what its cohort default rate is if the school has an average cohort default rate or was involved in a combination, substitution or merger?

A. A school should refer to its official cohort default rate notification letter for details regarding its average cohort default rate or combined, substituted, and/or merged cohort default rate.


Identifies the Unduplicated Number of Borrowers Included in the Numerator of the Cohort Default Rate Calculation
Identifies the Unduplicated Number of Borrowers Listed on the Loan Record Detail Report with a "B" in the Usage Code 1 Field
Identifies the Unduplicated Number of Borrowers Included in the Denominator of the Cohort Default Rate Calculation
Identifies the School's Cohort Default Rate
Identifies the Unduplicated Number of Borrowers Listed on the Loan Record Detail Report with a "D" or "B" in the Usage Code 1 Field

```
Actual Numerator Count : 3                                        Report Count:  3(B Usage 1 Codes only)
Actual Denominator Count:5 Actual Default Rate: 60.0 Report Count:    5(D & B Usage 1 Codes)
```

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The sixth line of the summary provides the **Individual Program Tally**. The Individual Program Tally is NOT a school's cohort default rate—it is purely informational to tell the school the number of loans identified with each loan program. A count is provided for both FFEL Program and Direct Loan Program borrowers if a school has loans entering repayment from each loan program.

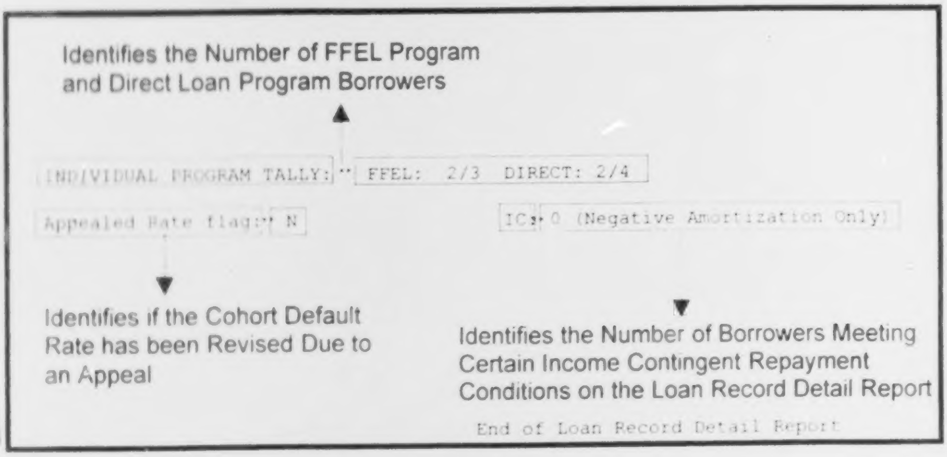
Note A school does not select whether it has an FFEL Program cohort default rate or a Direct Loan Program cohort rate. The rate is based on **all** of the loans that enter repayment in a given cohort period.

The seventh line of the summary provides the **Appealed Rate Flag**. The Appealed Rate Flag indicates whether the cohort default rate has been changed due to a cohort default rate appeal.

The seventh line of the summary also provides the **IC** field. The IC field identifies the number of Direct Loan Program borrowers in the cohort period in question, who attended **a non-degree granting proprietary school**, that have been under an income contingent repayment plan for 270 days with scheduled monthly payments that are less than fifteen dollars and less than the interest accruing on the loan, resulting in negative amortization. If the school is NOT a non-degree-granting proprietary school, OR if it does not have any borrowers meeting these criteria, this field will be zero.

Appealed Rate Flag

Code	Description
D	Direct – School altered cohort default rate due to its own appeal
I	Indirect – School's cohort default rate altered due to an appeal filed by a different school in a combination/ substitution/merger
N	No appeal – School's cohort default rate not altered by an appeal
U	Unknown – Appeal status unknown for cohort default rates prior to FY 1993

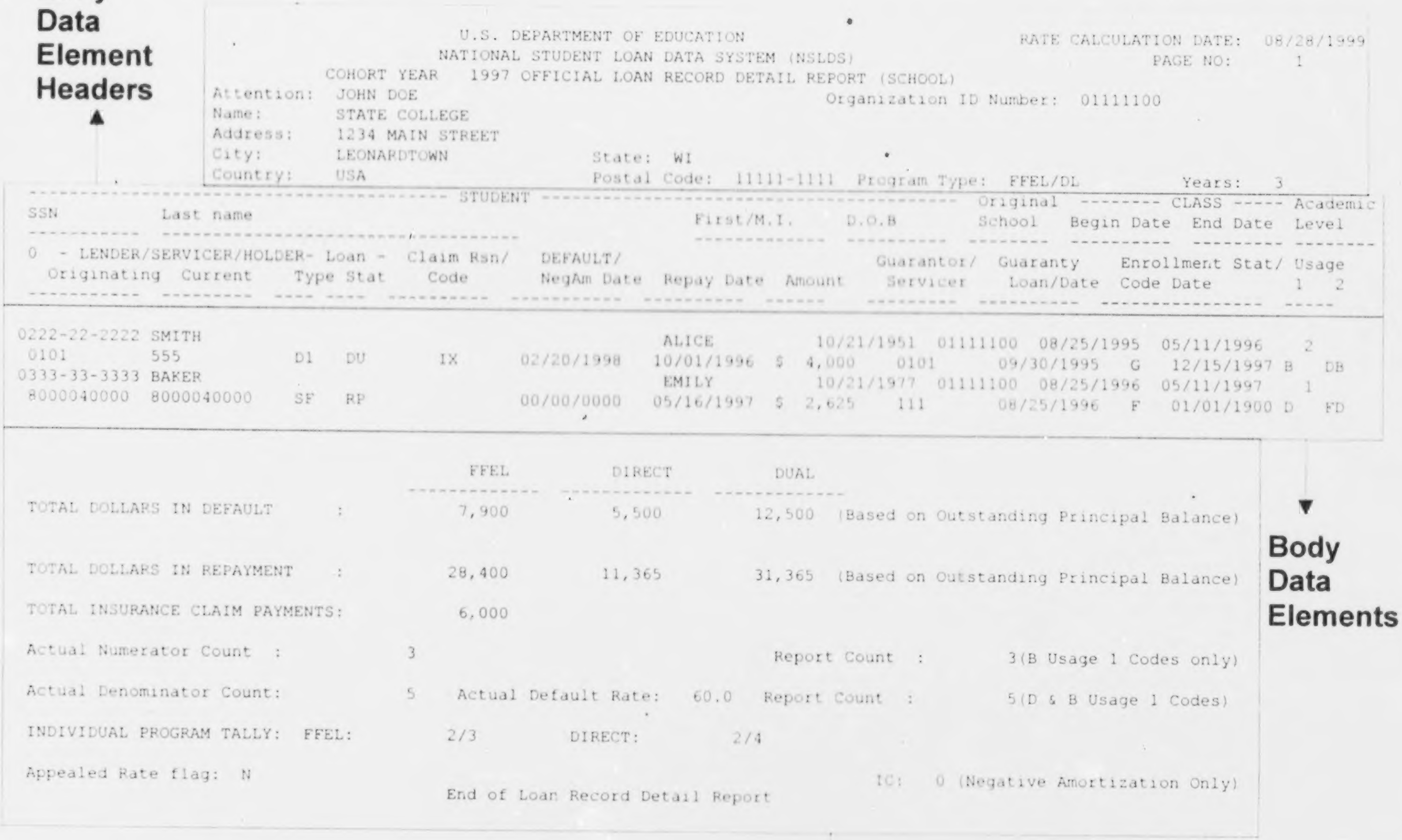


```
INDIVIDUAL PROGRAM TALLY:   FFEL:  2/3  DIRECT: 2/4
Appealed Rate flag:  N                         IC:  0 (Negative Amortization Only)
                                End of Loan Record Detail Report
```

Identifies the Number of FFEL Program and Direct Loan Program Borrowers
Identifies if the Cohort Default Rate has been Revised Due to an Appeal
Identifies the Number of Borrowers Meeting Certain Income Contingent Repayment Conditions on the Loan Record Detail Report

Please refer to page 51 for a composite representation of the summary section of the loan record detail report.

Sample Loan Record Detail Report



Title

Body Data Element Headers

```
                    U.S. DEPARTMENT OF EDUCATION                        RATE CALCULATION DATE:  08/28/1999
                 NATIONAL STUDENT LOAN DATA SYSTEM (NSLDS)                           PAGE NO:        1
          COHORT YEAR   1997 OFFICIAL LOAN RECORD DETAIL REPORT (SCHOOL)
Attention:  JOHN DOE                                            Organization ID Number:  01111100
Name:       STATE COLLEGE
Address:    1234 MAIN STREET
City:       LEONARDTOWN                 State:  WI
Country:    USA                         Postal Code:  11111-1111  Program Type:  FFEL/DL          Years:   3
------------------------------------- STUDENT -------------------------------------- Original  -------- CLASS ----- Academic
SSN          Last name                                    First/M.I.     D.O.B        School    Begin Date  End Date  Level
-----------  ---------------------------------------      -------------  ----------   --------  ----------  --------  --------
0  - LENDER/SERVICER/HOLDER- Loan -  Claim Rsn/   DEFAULT/                                Guarantor/  Guaranty    Enrollment Stat/ Usage
  Originating  Current     Type Stat    Code      NegAm Date   Repay Date   Amount    Servicer    Loan/Date   Code Date         1   2
  -----------  ---------   ---- ----  ----------  -----------  ----------  ------    ---------   ----------  ----------------  -----

0222-22-2222 SMITH                                             ALICE          10/21/1951  01111100  08/25/1995  05/11/1996    2
 0101        555           D1   DU      IX        02/20/1998   10/01/1996  $  4,000    0101         09/30/1995  G   12/15/1997 B   DB
0333-33-3333 BAKER                                             EMILY          10/21/1977  01111100  08/25/1996  05/11/1997    1
 8000040000  8000040000    SF   RP                00/00/0000   05/16/1997  $  2,625    111          08/25/1996  F   01/01/1900 D   FD

                                    FFEL          DIRECT          DUAL
                                 ------------   ------------   ------------
TOTAL DOLLARS IN DEFAULT      :      7,900          5,500          12,500  (Based on Outstanding Principal Balance)

TOTAL DOLLARS IN REPAYMENT    :     28,400         11,365          31,365  (Based on Outstanding Principal Balance)

TOTAL INSURANCE CLAIM PAYMENTS:      6,000

Actual Numerator Count   :       3                          Report Count   :       3(B Usage 1 Codes only)

Actual Denominator Count:        5   Actual Default Rate:   60.0   Report Count   :       5(D & B Usage 1 Codes)

INDIVIDUAL PROGRAM TALLY:  FFEL:     2/3          DIRECT:          2/4

Appealed Rate flag:  N                                           IC:   0 (Negative Amortization Only)
                                    End of Loan Record Detail Report
```

Body Data Elements

Summary

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Request for
LOAN RECORD DETAIL REPORT

Please TYPE or PRINT the following to ensure proper delivery.

OPE ID#: ______________________________

School Name: ______________________________

School Mailing Address: ______________________________

____

____

Telephone number: (____)______________________________

Choose the format the school would like to receive:

☐ Print Out (Hard Copy)
OR
☐ 3.5" Diskette (specify which layout is preferred)
  ○ Report Layout (hardcopy report on disk)
  ○ Text Layout (fields can be manipulated)

Choose the loan record detail report the school would like to receive:

☐ FY 1997 Official Cohort Default Rate
OR
☐ FY 1995, FY 1996, and FY 1997 Official Cohort Default Rates

Note The loan record detail report can only be requested once. Please provide the signature, name, and title of the authorizing official making this request. Please note that a school must request the loan record detail report from the Department within **10 working days** of receiving its official cohort default rate notification letter. Please allow at least two weeks from the time the Department receives the school's request for the school to receive the loan record detail report.

Name of Official: ______________________________

Title of Official: ______________________________

Signature of Official: ______________________________

Date: ______________________________

If sent by **commercial overnight mail/courier delivery**, send the request for loan record detail report to:

U.S. Department of Education
Default Management Division
Attn: Request for Loan Record Detail Report
ROB-3, Room 3905
7th and D Streets, SW
Washington, DC 20407

If sent by **U.S. Postal Service**, send the request for loan record detail report to:

U.S. Department of Education
Default Management Division
Attn: Request for Loan Record Detail Report
Portals Building, Room 6300
400 Maryland Avenue, SW
Washington, DC 20202-5353

Appeals At-A-Glance

Basis of Appeal

There are four categories of appeals:

- a request for adjustment;
- an erroneous data appeal;
- an improper loan servicing and collection appeal;

  AND
- an exceptional mitigating circumstances appeal, which may be based on —
  - a participation rate index;
  - economically disadvantaged and placement rates;
  - economically disadvantaged and completion rates;
  - average cohort default rates;

    AND/OR
  - low number of borrowers entering repayment.

Eligibility to File an Appeal

The appeal eligibility charts on pages 58 and 59 outline the various cohort default rate thresholds a school must meet in order to submit one or more of the four categories of cohort default rate appeals.

Note If a school is submitting an appeal, it should thoroughly read the relevant appeal sections entitled "Request for Adjustment," "Erroneous Data Appeal," "Improper Loan Servicing and Collection Appeal," and "Exceptional Mitigating Circumstances Appeal" beginning on pages 65, 77, 111, and 141, respectively and consult the Department's regulations.

Timing to Submit an Appeal

Timing is critical for all cohort default rate appeals. If a school misses the established deadlines, the U.S. Department of Education (Department) will NOT review a school's appeal. An overview of the deadlines for each category of appeal begins on page 60.

Q. How does the Department know when the time frame to submit an appeal has begun?

A. The Department tracks receipt of all notification letters, loan record detail reports, and responses to requests for information and uses this information to determine the time frames for schools to appeal.

A school's receipt of various documents triggers regulatory deadlines. Some appeal deadlines are based on calendar days and some are based on working days. Therefore, it is important to note the difference between calendar days and working days. **Calendar days** include federal business days, federal holidays and weekends. **Working days** only include federal business days and do NOT include federal holidays or weekends.

For example:

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1	2	3	4	5 **Receive Documents**	6
7	8	9	10	11 **Holiday**	12	13
14	15 **10 Calendar days**	16	17	18	19	20
21	22 **10 Working Days**	23	24	25	26	27
28	29	30				

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Note When a number of days is given (for example, "within 10 working days"), it means the information must be SENT to the Department within the stated time period. If the submission due date falls on a weekend or a federal holiday, a school may send the information to the Department no later than the next federal business day.

Please note that the Department accepts deliveries from commercial couriers and/or hand deliveries Monday through Friday, 7:30 a.m. to 5:00 p.m. (Eastern Time).

Proof of Delivery of Appeal Documentation

The Department recommends that a school send all appeal correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its appeal. A school should maintain documentation verifying receipt of all appeal related material.

Note The Department will NOT accept any appeal correspondence by facsimile (fax) or e-mail.

Copies of Appeal Documentation Sent to the Department

Whenever a school sends correspondence regarding its cohort default rate appeal, it must simultaneously send a copy of the correspondence to the Department's Default Management Division at the address provided in "Appendix C". The Department recommends that a school retain copies and delivery receipts for all appeal documents provided to the Department and other entities.

Final Decision on an Appeal

Appealing a school's official cohort default rate and/or sanction associated with the rate to the Department is the only administrative review of its cohort default rate available to a school. The Department's decision is final and no further administrative review is provided.

Appeal Eligibility for Schools that ARE Subject to Sanctions

If a school's official CDR is...	the school is subject to...	and a school may submit...
equal to or greater than 25.0 percent for FY 1997, FY 1996, AND FY 1995	Initial loss[1] of eligibility to participate in the: ◆ FFEL Program ◆ Direct Loan Program ◆ Federal Pell Grant Program	◆ FY 1997 Request for Adjustment ◆ FY 1997, FY 1996, and FY 1995 Erroneous Data Appeal[2] ◆ FY 1997, FY 1996, and FY 1995 Improper Loan Servicing and Collection Appeal[2] ◆ FY 1997, FY 1996, and FY 1995 Exceptional Mitigating Circumstances Appeal based on the school's Participation Rate Index ◆ FY 1997 Exceptional Mitigating Circumstances Appeal based on the school's Economically Disadvantaged and Placement or Completion Rates.
equal to or greater than 25.0 percent for FY 1997 and the school lost eligibility due to the FY 1996, FY 1995, and FY 1994 CDR's	Extended loss[1] of eligibility to participate in the: ◆ FFEL Program ◆ Direct Loan Program ◆ Federal Pell Grant Program	◆ FY 1997 Request for Adjustment ◆ FY 1997 Erroneous Data Appeal ◆ FY 1997 Improper Loan Servicing and Collection Appeal ◆ FY 1997, FY 1996, and FY 1995 Exceptional Mitigating Circumstances Appeal based on the school's Participation Rate Index ◆ FY 1997 Exceptional Mitigating Circumstances Appeal based on the school's Economically Disadvantaged and Placement or Completion Rates.
equal to or greater than 40.1 percent for FY 1997 and the school's FY 1996 and FY 1995 CDR's are not 25.0 percent or greater	Limitation, Suspension, and/or Termination (LS&T) ONLY	◆ FY 1997 Request for Adjustment ◆ FY 1997 Erroneous Data Appeal ◆ FY 1997 Improper Loan Servicing and Collection Appeal ◆ FY 1997 Exceptional Mitigating Circumstances Appeal based on the school's Economically Disadvantaged and Placement or Completion Rates.

---

[1] 34 CFR § 668 17(b)

[2] The school may only appeal prior cohort default rtes provided that the school has NOT already appealed the cohort default rate on the same basis

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Appeal Eligibility for Schools that are NOT Subject to Sanctions

If a school's official CDR is...	A school may submit...
19.9 percent or less for FY 1997	♦ FY 1997 Request for Adjustment
20.0 percent - 40.0 percent for FY 1997	♦ FY 1997 Request for Adjustment ♦ FY 1997 Improper Loan Servicing and Collection Appeal

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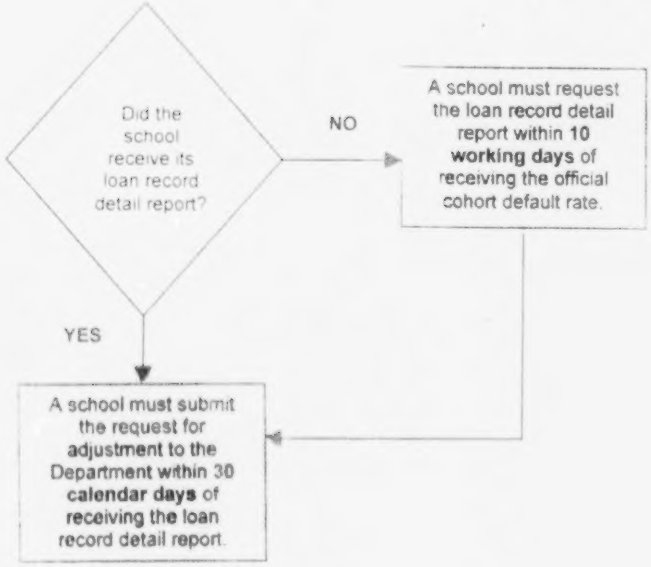
Request for Adjustment Time Frames



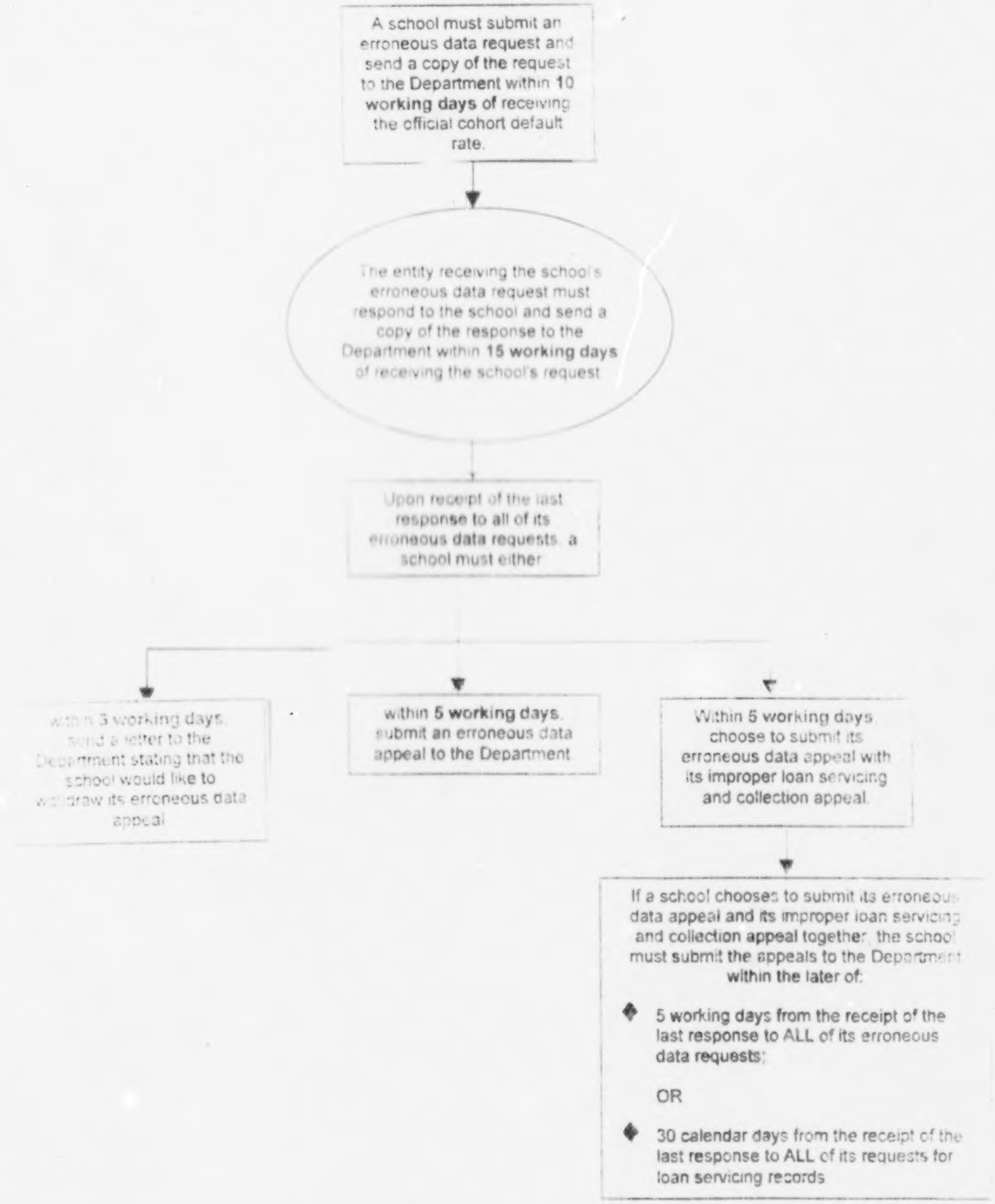
Did the school receive its loan record detail report?

A school must request the loan record detail report within **10 working days** of receiving the official cohort default rate.

A school must submit the request for adjustment to the Department within 30 **calendar days** of receiving the loan record detail report.

Blue Box = Time frames for schools
White Diamond = Question

Erroneous Data Appeal Time Frames



A school must submit an erroneous data request and send a copy of the request to the Department within 10 **working days** of receiving the official cohort default rate.

The entity receiving the school's erroneous data request must respond to the school and send a copy of the response to the Department within **15 working days** of receiving the school's request.

Upon receipt of the last response to all of its erroneous data requests, a school must either

within 5 working days, send a letter to the Department stating that the school would like to withdraw its erroneous data appeal

within **5 working days**, submit an erroneous data appeal to the Department

Within 5 working days, choose to submit its erroneous data appeal with its improper loan servicing and collection appeal.

If a school chooses to submit its erroneous data appeal and its improper loan servicing and collection appeal together, the school must submit the appeals to the Department within the later of:

- 5 working days from the receipt of the last response to ALL of its erroneous data requests;

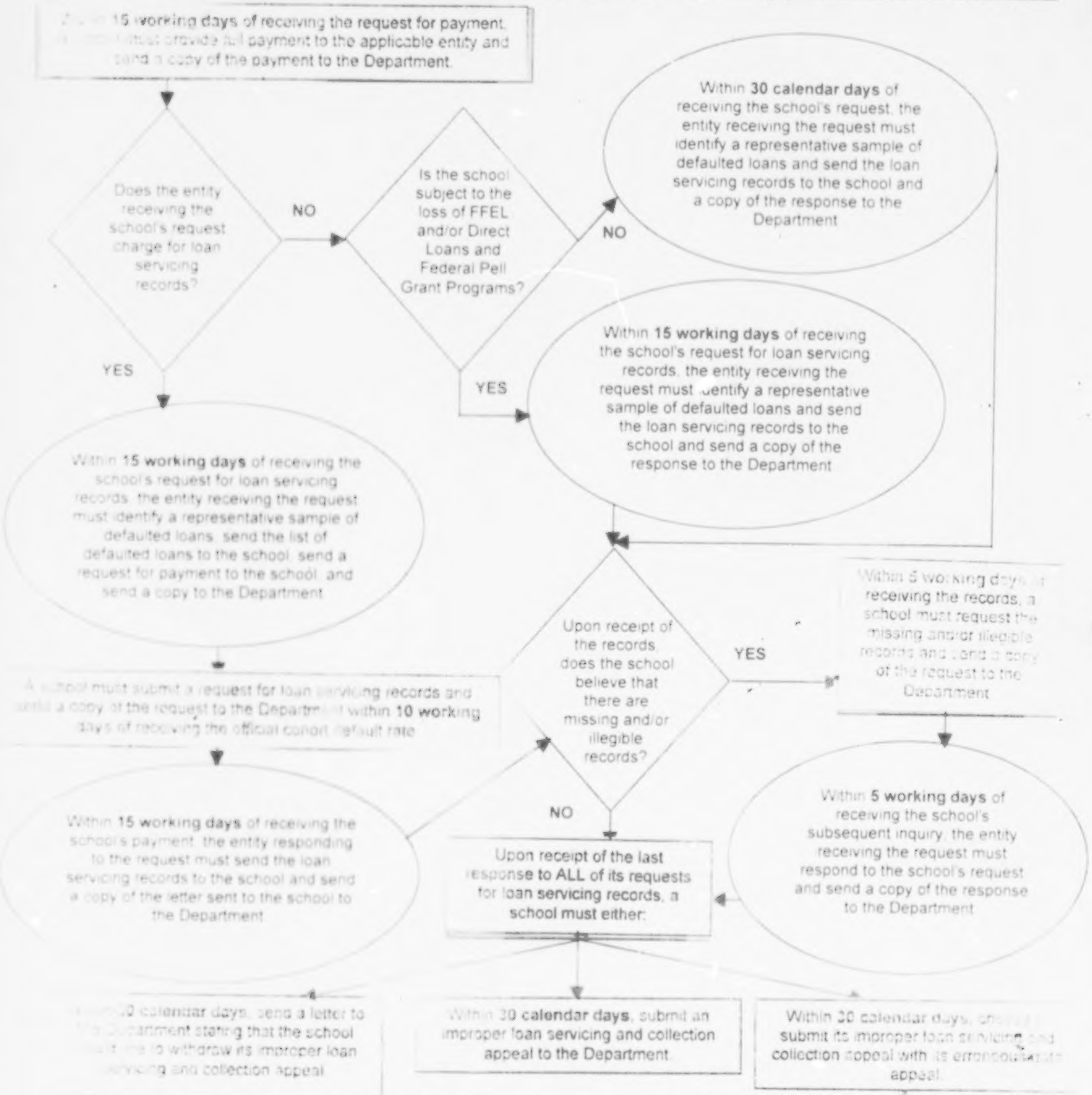
OR

- 30 calendar days from the receipt of the last response to ALL of its requests for loan servicing records

---

Blue Box = Time frames for schools
White Oval = Time frames for entities other than schools

Improper Loan Servicing and Collection Appeal Time Frames



A school must submit a request for loan servicing records and send a copy of the request to the Department within **10 working** days of receiving the official cohort default rate.

Does the entity receiving the school's request charge for loan servicing records?

Within **15 working days** of receiving the school's request for loan servicing records, the entity receiving the request must identify a representative sample of defaulted loans, send the list of defaulted loans to the school, send a request for payment to the school, and send a copy to the Department.

Within **15 working days** of receiving the request for payment, a school must provide full payment to the applicable entity and send a copy of the payment to the Department.

Within **15 working days** of receiving the school's payment, the entity responding to the request must send the loan servicing records to the school and send a copy of the letter sent to the school to the Department.

Is the school subject to the loss of FFEL and/or Direct Loans and Federal Pell Grant Programs?

Within **30 calendar days** of receiving the school's request, the entity receiving the request must identify a representative sample of defaulted loans and send the loan servicing records to the school and a copy of the response to the Department

Within **15 working days** of receiving the school's request for loan servicing records, the entity receiving the request must identify a representative sample of defaulted loans and send the loan servicing records to the school and send a copy of the response to the Department

Upon receipt of the records, does the school believe that there are missing and/or illegible records?

Within 5 working days of receiving the records, a school must request the missing and/or illegible records and send a copy of the request to the Department

Within **5 working days** of receiving the school's subsequent inquiry, the entity receiving the request must respond to the school's request and send a copy of the response to the Department

Upon receipt of the last response to ALL of its requests for loan servicing records, a school must either:

Within 30 calendar days, send a letter to the Department stating that the school wishes to withdraw its improper loan servicing and collection appeal

Within **30 calendar days**, submit an improper loan servicing and collection appeal to the Department

Within 30 calendar days, choose to submit its improper loan servicing and collection appeal with its erroneous data appeal.

If a school chooses to submit its improper loan servicing and collection appeal and its erroneous data appeal together, the school must submit the appeals to the Department within the later of:

- **30 calendar days from the receipt of the last response to ALL of its requests for loan servicing records;**

OR

- **5 working days from the receipt of the last response to ALL of its erroneous data requests.**

Blue Box = Time frames for schools
White Oval = Time frames for entities other than schools
White Diamond = Question

Exceptional Mitigating Circumstances Appeal Time Frames

For the economically disadvantaged and placement rate appeal AND the economically disadvantaged and completion rate appeal, the time frames are as follows:

A school must submit a letter to the Department within **30 calendar days** of receiving notification that it is subject to sanctions stating that the school is submitting an exceptional mitigating circumstances appeal based on:

- economically disadvantaged and placement rates;

  OR

- economically disadvantaged and completion rates.

A school must ensure that within **60 calendar days** of the school receiving notification that it is subject to sanctions that an independent auditor submits to the Department the school's written assertions and the auditor's opinions on management's written assertions as the assertions pertain to the school's:

- economically disadvantaged and placement rates;

  OR

- economically disadvantaged and completion rates.

For the participation rate index appeal, the time frame is as follows:

Within **30 calendar days** of receiving notification that the school is subject to initial or extended loss of eligibility to participate in the FFEL Program and/or Direct Loan Program and Federal Pell Grant Program, a school must submit documentation to the Department indicating that the school has a participation rate index of 0.0375 or less.

Note Prior to the release of the official cohort default rates, the Department will determine if a school meets the criteria associated with an exceptional mitigating circumstances appeal based on:

- average cohort default rates;

  AND/OR

- low number of borrowers.

If the Department determines that a school meets these criteria, the Department will NOT notify the school that it is subject to initial or extended loss of the FFEL Program and/or Direct Loan Program and Federal Pell Grant Program eligibility, even if the school's three most recent official cohort default rates are 25.0 percent or greater.

Request for Adjustment

◆

QUALIFYING

What is a request for adjustment?

A request for adjustment is a challenge submitted to the U. S. Department of Education (Department) that ensures a school's official cohort default rate calculation reflects changes that were **correctly** agreed to as a result of a school's draft data challenge.

Which schools are eligible to submit a request for adjustment?

All postsecondary schools (schools) regardless of their cohort default rate may request that the Department adjust its FY 1997 official cohort default rate. Schools do NOT have to be subject to any sanctions as a result of their cohort default rates.

Why should a school submit a request for adjustment?

A school should request an adjustment if:

(1) it submitted a timely challenge of its draft cohort default rate data after the release of the draft cohort default rates;

AND

(2) the entity reviewing the draft data challenge correctly agreed to make changes to the cohort default rate data;

BUT

Q. What is a draft data challenge?

A. A draft data challenge is the process used by a school to correct cohort default rate data before the *official* cohort default rates are calculated.

Please refer to the Department's *FY 1997 Draft Cohort Default Rate Guide* for additional information on draft data challenges.

(3) the changes are not reflected in the school's official loan record detail report.

Can a school submit a request for adjustment for previous years?

No. A school can only request an adjustment for the most recent official cohort default rate data (in this case FY 1997). This also applies to those schools that have average cohort default rates.

Is a request for adjustment a type of erroneous data appeal?

No, a request for adjustment is not a type of erroneous data appeal. Requests for adjustment concern changes to data errors that were correctly agreed to during the draft data challenge, but were not made. Erroneous data appeals concern disputed data that was not resolved prior to the release of the official cohort default rates and/or incorrect new data that appeared after the release of the official cohort default rates.

Note A school may be eligible to submit both a request for adjustment and an erroneous data appeal. If a school is submitting both, the two have different deadlines and standards, and they MUST be submitted separately.

Please refer to the "Erroneous Data Appeal" section beginning on page 77 for more information on erroneous data appeals.

What role does a guaranty agency have in a request for adjustment?

A guaranty agency is not directly involved in a school's request for adjustment. After the release of the official cohort default rates, a school's request for adjustment is submitted directly to the Department's Default Management Division. The Department adjusts the school's rate based on information correctly provided to the school during the draft data challenge process. The adjustment is NOT based on information received from a guaranty agency after the release of the official cohort default rates.

Q. What is an average cohort default rate?

A. An average cohort default rate is a type of cohort default rate calculation used when a school has **29 or fewer borrowers** entering repayment during a fiscal year.

Q. Can a school submit a request for adjustment because incorrect new data appeared in the official loan record detail report?

A. No, a school can only submit a request for adjustment if the entity reviewing the school's draft data challenge correctly agreed to make a change to the data but the change was not reflected in the official loan record detail report.

How can a request for adjustment affect a school's cohort default rate?

If, as a result of a request for adjustment, the Department determines that a school's cohort default rate is incorrect, the Department will recalculate the rate using corrected data. This may **lower, raise, or not affect** any of a school's three most recent official cohort default rates.

Please refer to page 24 of the "Cohort Default Rates" section for information on adding and subtracting loans from the cohort default rate calculation.

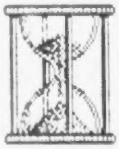
Note Even though the Department may alter a school's cohort default rate calculation, subsequent copies of the school's loan record detail report will not reflect the change. Therefore, it is important to keep a copy of the Department's final determination letter as the official record of the school's cohort default rate.

TIMING AND SUBMITTING

What are the time frames and procedures for submitting a request for adjustment?

Timing is critical for a school when submitting a request for adjustment.

Step 1: Within **10 working days** of receiving its official cohort default rate notification letter, if the school did **not** receive the loan record detail report with its notification letter, it must submit a request for the loan record detail report to the Department using the "Request for Loan Record Detail Report" form on page 53.



Time frames may overlap. Read ALL steps.

Note All schools with an FY 1997 official cohort default rate of 10.0 percent or greater will receive an FY 1997 official loan record detail report with their FY 1997 official cohort default rate notification letter.

Step 2: Within **30 calendar days** of receipt of the official loan record detail report, a school must:

- compare the response(s) it received to its draft data challenge with its official loan record detail report;

AND

- ensure the changes correctly agreed to during the draft data challenge were made.

Example 1: School of Business compared the May 5, 1999 response it received from the Direct Loan servicer with its official FY 1997 loan record detail report. School of Business discovered that Roger Jones' non-defaulted unsubsidized Stafford loan was correctly added to the school's FY 1997 cohort default rate calculation as was indicated in the Direct Loan servicer's May 5, 1999 letter.

School of Business did NOT include Roger Jones' loan on its FY 1997 Request for Adjustment spreadsheet because the loan was correctly added to the school's FY 1997 cohort default rate.

Step 3: Within **the time frame described in Step 2** (i.e., within 30 calendar days of receipt of the official loan record detail report), a school must compile a list of loans that should have been adjusted prior to the release of the official cohort default rates but were not.

A school should use the sample **Request for Adjustment** spreadsheet on page 75 to list the changes that were correctly agreed to during the draft data challenge BUT were NOT made.

Example 2: School of Business compared the April 23, 1999 response it received from ABC guaranty agency with its official FY 1997 loan record detail report. School of Business discovered that even though the April 23, 1999 letter from ABC guaranty agency agreed to remove Chris Smith's defaulted FFEL Stafford loan from the FY 1997 cohort default rate, Chris' defaulted FFEL Stafford loan was still included in the school's FY 1997 cohort default rate calculation.

School of Business included Chris Smith's defaulted FFEL Stafford loan on its FY 1997 request for adjustment spreadsheet because the agreed upon change was not made.

Step 4. Within **the time frame described in Step 2** (i.e., with 30 calendar days of receipt of the school's official loan record detail report), submit the following to the Department using the address on page 71:

Due date for submitting the appeal to the Department.

- a letter requesting an adjustment;

  A school should use the sample **Request for Adjustment** cover letter on page 73;

- the **Request for Adjustment** spreadsheet as described in Step 3;

  AND

- copies of the relevant responses received as a result of the school's draft data challenge that identify the changes that were correctly agreed to but not made.

The recommended tabs and materials for a request for adjustment are shown on the next page.

Q. May a school submit its request for adjustment with its erroneous data appeal and/or improper loan servicing and collection appeal?

A. No. A school's request for adjustment must be submitted separately and **within 30 calendar days** of receiving its official loan record detail report.

The following material should be sent to the Department's Default Management Division at the address shown on page 71.

Tab 1

The section behind Tab 1 contains:

a **letter** on the school's letterhead with—

- the school's OPE ID number;
- a statement indicating that the school is submitting a request for adjustment;
- the fiscal year to which the adjustment applies;
- the signature of the school's President/ CEO/Owner, followed by a signature block providing the signer's name and job title;

AND

- a notation that a copy of the cover letter is being sent to the relevant guaranty agency and/or Direct Loan servicer.

Schools should use the sample **Request for Adjustment** cover letter on page 73.

Tab 2

The section behind Tab 2 contains:

a **spreadsheet** listing all of the loans that qualify for an adjustment.

Schools should use the sample **Request for Adjustment** spreadsheet on page 75 and instructions on how to create the spreadsheet on page 74.

Tab 3

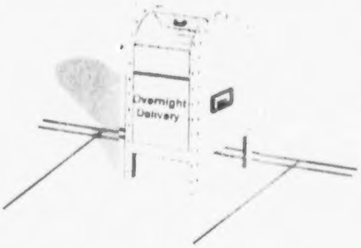
The section behind Tab 3 contains:

a copy (or copies) of the original **letter(s)** and applicable attachments from the relevant guaranty agency and/or Direct Loan servicer indicating that a data change was **agreed** to as a result of a school's **draft data challenge**.

Note Schools do NOT need to submit supporting documentation or a copy of its loan record detail report as a part of its request for adjustment.

Note The Department will review only the information submitted with the request for adjustment and will not consider information submitted after the school's deadline. The Department will send the school and each involved entity written notification of its decision. **The Department's decision is final and no further administrative review is provided.**

If sent by commercial overnight mail/courier delivery, send the school's request for adjustment to:



U.S. Department of Education
Default Management Division
ATTN: Request for Adjustment
ROB-3, Room 3905
7th and D Streets, SW
Washington, DC 20407

If sent by U.S. Postal Service, send the school's request for adjustment to:

U.S.
Postal
Service

U.S. Department of Education
Default Management Division
ATTN: Request for Adjustment
Portals Building, Room 6300
400 Maryland Avenue, SW
Washington, DC 20202-5353

Note The Department will not accept any appeal correspondence by facsimile (fax) or e-mail.

The Department recommends that a school submit its request for adjustment return receipt requested or via commercial overnight mail/courier delivery. This will be useful to the school if it is asked to authenticate the timeliness of its appeal. A school should maintain the documentation which verifies the receipt of the appeal related material. In addition, the Department recommends that a school retain copies of all appeal documents provided to the Department and other entities.

Sample **Request for Adjustment** Cover Letter

School of Business
1212 Wedgewood Lane
Leonardtown, Wisconsin 12345-6789
123-456-7890

October 4, 1999

Sample Letter

U.S. Department of Education
Default Management Division
ATTN: Request for Adjustment
Portals Building, Room 6300
400 Maryland Avenue, S.W.
Washington, D.C. 20202-5353

OPE ID#: 111222

Subject: FY 1997 Request for Adjustment

Dear Default Management Division:

School of Business, **OPE ID# 111222**, wishes to request an adjustment to its official FY 1997 cohort default rate.

Please see the enclosed spreadsheet and the copies of the draft data challenge responses.

Thank you for your consideration.

Sincerely,

Robert Young

Robert Young, President

Enclosures

cc: ABC Guaranty Agency
Direct Loan Servicer

Instructions for Request for Adjustment Spreadsheet

Record all loans for which the school is requesting an adjustment using a spreadsheet software application such as Excel, Lotus 1-2-3, or Supercalc. The resulting spreadsheet is sent only to the Department's Default Management Division.

The spreadsheet should be on 8 ½" x 11" paper in a landscape (horizontal) layout. A sample spreadsheet follows these instructions.

Header:	Enter **FY 1997 Request for Adjustment** in the center of the header area. In the left-hand area, enter the school's name and the school's OPE ID number.
Footer:	Enter the date the appeal was prepared in the left side of the footer area. Set up automatic pagination in the right side of the footer area so that the specific page number and the total number of pages show on each page, for example: page 1 of 10 pages.
Sort:	The borrowers listed on the spreadsheet should be sorted by:

1. Relevant entity identified by the guarantor/servicer code
2. Borrowers' Social Security number

Note Only the allegations listed on the school's spreadsheet will be reviewed.

On Row 1, enter exactly the same column names in exactly the same order as listed on the sample spreadsheet. Ensure that column names appear at the top of each page.

On Row 2 and below, include the following data for each loan requiring adjustment:

Column 1:	Enter the borrower's Social Security number (SSN) using hyphens to separate the numbers (for example, 000-00-0000)

Note If a borrower has multiple loans, each loan which should be adjusted must be listed on the spreadsheet.

Column 2:	Enter the borrower's name.
Column 3:	Enter the loan type. Use the following codes to identify the type of loan.

Loan Type Codes

Code	Description
D1	Direct Loan Subsidized Stafford Loan
D2	Direct Loan Unsubsidized Stafford Loan
SF	FFEL Subsidized Stafford Loan
SL	FFEL Supplemental Loans for Student Loan
SU	FFEL Unsubsidized Stafford Loan

Column 4:	Enter MM/DD/CCYY (month, day and year) to identify the date the data error was acknowledged as a result of the school's draft data challenge.
Column 5:	Enter the number code of the entity that agreed to make a change to the cohort default rate data but failed to do so (found in Appendices A and B)

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Sample Request for Adjustment Spreadsheet

School of Business
OPE ID 111222

FY 1997 Request for Adjustment

Note: This is a sample spreadsheet
(See instructions.)

1. Borrower's SSN	2. Borrower's Name	3. Type of loan (Use codes provided in instructions)	4. Date error was acknowledged during the draft data challenge process	5. Code for the entity that acknowledged error (See Appendices A and B for codes)
333-33-3333	Chris Smith	SF	04/23/1999	000

10/04/1999

[send to U.S. Department of Education's
Default Management Division at the address listed on page 71.]

Page 1 of 1

Erroneous Data Appeal

QUALIFYING

What is an erroneous data appeal?

An erroneous data appeal is a challenge submitted to the Department alleging that a school's official cohort default rate is inaccurate because of incorrect data.[1]

Which schools are eligible to submit an erroneous data appeal?

Only schools that are subject to the following sanctions as a result of the school's official cohort default rates may submit an erroneous data appeal

- **initial loss** of Federal Family Education Loan (FFEL) Program and/or William D. Ford Federal Direct Loan (Direct Loan) Program and Federal Pell Grant Program eligibility;[2]

  OR

- **extended loss** of FFEL Program and/or Direct Loan Program and Federal Pell Grant Program eligibility;[3]

  AND/OR

---

[1] 34 CFR §668.17(c)(1)(i)(A)

[2] 34 CFR §668.17(b)

[3] Id

- **possible action to limit, suspend, and/or terminate (LS&T)** eligibility to participate in all Title IV Student Financial Assistance Programs.[4]

These schools may only file an appeal based on erroneous data if:

- there are **disputed data** remaining from the school's draft data challenge(s);

AND/OR

- there are **incorrect new data** appearing in the school's official loan record detail report.

Disputed data and incorrect new data are explained in detail beginning on page 83.

Q. What is a draft data challenge?

A. A draft data challenge is the process used by a school to correct cohort default rate data before the *official* cohort default rates are calculated.

Please refer to the Department's *FY 1997 Draft Cohort Default Rate Guide* for additional information on draft data challenges.

Why should a school submit an erroneous data appeal?

If eligible, a school should submit an erroneous data appeal if it believes that there are disputed data or incorrect new data in the school's official loan record detail report and it has not previously appealed the official cohort default rate based on allegations of erroneous data.

Note In order to appeal based on erroneous data, a school must prove that the recalculated rate using corrected data would, by itself or in conjunction with an improper loan servicing and collection appeal and/or a request for adjustment, produce an official cohort default rate lower than the applicable sanction threshold.

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[4] 34 CFR §668.17(a)(2)

This checklist summarizes the criteria for an erroneous data appeal. A school should review the checklist to determine if it can appeal on the basis of erroneous data.

Erroneous Data Appeal Eligibility Checklist

To be eligible to appeal its official cohort default rate on the basis of erroneous data, a school must meet ALL of the following criteria:

- ☐ The school is subject to a sanction as described on page 77 and 78
- ☐ The school believes that its official cohort default rate is inaccurate because of:
  - disputed data remaining from its draft data challenge

    OR
  - incorrect new data.
- ☐ The school's appeal, by itself or in combination with an improper loan servicing and collection appeal and/or request for adjustment, will result in a recalculated official cohort default rate below the sanction thresholds.
- ☐ The school has NOT previously appealed the official cohort default rate at issue on the basis of erroneous data.

Which cohort default rates may a school appeal?

The sanctions to which a school is subject determine which cohort default rates the school may appeal on the basis of erroneous data.

- If the school is subject to **initial loss** of FFEL Program and/or Direct Loan Program and Federal Pell Grant Program eligibility, it may appeal on the basis of erroneous data on any or all of the three most recent official cohort default rates on which the loss of eligibility is based—as long as it has not previously appealed that fiscal year's official cohort default rate calculation on the basis of erroneous data. This year, the school may appeal its FY 1995, FY 1996, and/or FY 1997 official cohort default rates.
- If the school is subject to **extended loss** of FFEL Program and/or Direct Loan Program and Federal Pell Grant Program eligibility, it may appeal only the most recent year's (in this case FY 1997) official cohort default rate.
- If the school is subject to **possible action to LS&T** its participation in all Title IV Student Financial Assistance Programs due to its most recent official cohort default rate, but it is NOT subject to initial loss of FFEL Program and/or Direct Loan Program and Federal Pell Grant Program eligibility, it may appeal only the most recent (in this case FY 1997) official cohort default rate.

Note If a school is NOT subject to sanctions, the school is not eligible to file an erroneous data appeal with the Department and, if an appeal is filed, the Department will NOT review it. The school may, however, be eligible to file a request for adjustment.

Please refer to the "Request for Adjustment" section on page 65 for more information on filing a request for adjustment.

Q. If a school is subject to both initial loss of FFEL Program and/or Direct Loan Program and Federal Pell Grant Program eligibility AND LS&T, which official cohort default rates may the school appeal?

A. The school may appeal its three most recent official cohort default rates as long as it has not previously appealed the official cohort default rate calculation on the basis of erroneous data.

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The table below summarizes the official cohort default rates that a school may appeal on the basis of erroneous data

Official Cohort Default Rates That May Be Appealed on the Basis of Erroneous Data

Official Cohort Default Rates That May Be Appealed on the Basis of Erroneous Data

If a school is subject to ...	the school may...
no sanctions	NOT appeal
initial loss of FFEL Program and/or Direct Loan Program and Federal Pell Grant Program	appeal FY 1997, FY 1996,* and FY 1995*
extended loss of FFEL Program and/or Direct Loan Program and Federal Pell Grant Program	appeal FY 1997
LS&T only (based on FY 1997 cohort default rate)	appeal FY 1997

* Provided that the school has not previously appealed the cohort default rate on the basis of erroneous data

How can an erroneous data appeal affect the school's official cohort default rate?

If, as a result of an erroneous data appeal, the Department determines that a school's cohort default rate is incorrect, the Department will recalculate the rate using the corrected data. This may **lower, raise, or not affect** any of a school's three most recent official cohort default rates.

Please refer to page 24 of the "Cohort Default Rates" section for information on adding and subtracting loans from the cohort default rate calculation.

Note Even though the Department may alter a school's cohort default rate calculation, subsequent copies of the school's loan record detail report will not reflect the change. Therefore, it is important to keep a copy of the Department's final determination letter as the official record of the school's cohort default rate.

Is a request for adjustment a type of an erroneous data appeal?

No, a request for adjustment is NOT a type of an erroneous data appeal. Requests for adjustment concern changes to data errors that were correctly agreed to in a draft data challenge but were not made. Erroneous data appeals concern disputed data that was not resolved prior to the release of the official cohort default rates and/or incorrect new data that appeared after the release of the official cohort default rates.

Note A school may be eligible to submit both a request for adjustment and an erroneous data appeal. If a school is submitting both, the two have different deadlines and standards, and they MUST be submitted separately.

Please refer to the "Request for Adjustment" section beginning on page 65 for more information on requests for adjustment.

What are erroneous data?

Erroneous data refer to various types of loan information used to calculate a school's official cohort default rate that do not match the school's records and/or information from outside sources and the school believes are incorrect.

Examples of erroneous data would be if, in reconciling the official loan record detail report against the school's records, a school discovers that:

- some borrowers are not reported correctly in the official cohort default rate calculation;

  AND/OR

- some borrowers are omitted entirely from the calculation.

Note When preparing its appeal, a school will want to review, at a minimum, attendance records, copies of loan applications, and copies of cancelled checks. "Outside sources" that a school will want to review include, but are not limited to, records of lenders, borrowers, guaranty agencies, the Direct Loan servicer, or other schools where former borrowers enrolled.

Erroneous data may be "disputed data" and/or "incorrect new data."

What is disputed data?

Disputed data occur when the entity responding to a school's draft data challenge **does not agree** that a loan is incorrectly included or excluded from the cohort default rate calculation.

After the release of the official cohort default rates, a school may appeal on the basis of disputed data if:

- the school included the error in its draft data challenge;

  AND

- the entity that responded to the draft data challenge did NOT agree with the error the school alleged;

  AND

- the school believes that the entity's response to the error is incorrect;

  AND

- the alleged error is included in the calculation of the school's official cohort default rate;

  AND

- the school is subject to sanctions.

Note After the release of the official cohort default rates, allegations of disputed data **must be re-addressed** to the entity that responded to the draft data challenge prior to submitting the allegations of disputed data to the Department.

What is incorrect new data?

Q. What causes new data to appear in the official cohort default rate calculation?

A. NSLDS is continuously being provided new/updated information. The draft cohort default rates are calculated in the spring and approximately six months later, the official cohort default rates are calculated. Therefore, the data used to calculate the draft cohort default rate may be different than the data used to calculate the official cohort default rate.

Incorrect new data occur when data are used in the official cohort default rate calculation in a manner that is different from the way the data was used in the draft cohort default rate calculation. For example, a non-defaulted loan was included in the draft cohort default rate calculation BUT excluded from the official cohort default rate calculation.

After the release of the official cohort default rates, a school may appeal on the basis of incorrect new data if:

- the school discovers that a loan on its official loan record detail report is used in the cohort default rate calculation in a different manner than on its draft loan record detail report;

  AND

- the school determines that the change did NOT result from its draft data challenge;

  AND

- the school believes that the way the loan is being used in the official cohort default rate calculation is incorrect;

  AND

- the school is subject to sanctions.

Note If the official data are the same as the draft data, and the school did NOT challenge the data as a part of its draft data challenge, it may NOT appeal the data as incorrect new data as a part of an erroneous data appeal.[5] If these data issues are appealed to the Department, they will NOT be reviewed.

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[5] 34 CFR §668.17(j)(7) (published December 1, 1995)

What types of allegations may a school submit as a part of an erroneous data appeal?

The following are examples of various types of disputed and/or incorrect new data allegations a school may submit as a part of its erroneous data appeal. Prior to submitting these allegations to the Department as a part of an erroneous data appeal, the school must first submit an erroneous data request to the entity responsible for the loan.

- **Incorrect date entered repayment (DER)**

  If a school believes that the DER for a loan listed on the loan record detail report is incorrect, it should include documentation in its appeal to support the correct DER and proof that the guaranty agency/Direct Loan servicer or lender received the document in a timely manner.

- **Loan received an insufficient grace period**

  If a school believes that a loan received an insufficient grace period, the school should determine if the DER listed in the school's loan record detail report is correct. If the DER is incorrect, the school should include documentation in its appeal to support the correct DER and proof that the guaranty agency/Direct Loan servicer or lender received the document in a timely manner.

- **Loan received an insufficient delinquency period**

  If a school believes that a loan received an insufficient delinquency period, the school should determine if the DER and default date/claim paid date listed in the school's loan record detail report are correct. If the DER and/or default date/claim paid date are incorrect, the school should include documentation in its appeal to support the correct DER or default date/claim paid date and proof that the guaranty agency/Direct Loan servicer or lender received the document in a timely manner.

Q. Who is responsible for responding to erroneous data requests?

A. The entity identified by the guarantor/servicer code on the loan record detail report is responsible for responding to requests for verification of error.

Please also refer to page 46 for a summary of who is responsible for responding to erroneous data requests.

Note If the documentation submitted by the school as a part of its appeal was never originally received by the guaranty agency/Direct Loan servicer or lender, or was not received in a timely manner, and the school has not provided proof that it submitted the documentation to the guaranty agency/Direct Loan servicer or lender in a timely manner, the guaranty agency/Direct Loan servicer may respond that the DER was determined based on the best information available at the time, and as a result, no change is warranted.

◆

Loan incorrectly converted using date-specific and/or month-specific methodology

The repayment date for FFEL Program loans must be date-specific (for example, 2/16/1996) NOT month-specific (for example, 2/1996) if the loan was converted into repayment on or after March 1,1996.

If a lender failed to use date-specific methodology to convert a loan into repayment on or after March 1, 1996, the school should submit the allegation as a part of its appeal.

◆

Federal SLS Loan not linked to an FFEL Program Stafford Loan

If a school believes a Federal SLS loan should be linked to an FFEL Program Stafford loan, the school should determine, for any Federal SLS loan that was NOT reported in a cohort period prior to FY 1993, if the borrower has both a Federal SLS loan and an FFEL Program Stafford loan that were both obtained in the same period of continuous enrollment.

If the borrower has both a Federal SLS and an FFEL Program Stafford loan given during the same period of continuous enrollment, the date the borrower entered repayment for the Federal SLS loan is the same as the date the borrower entered repayment for the FFEL Program Stafford loan. In all other instances, the date the borrower entered repayment for the Federal SLS loan is the day following the day the borrower is no longer enrolled on at least a half-time basis.

If the DER for the Federal SLS loan is listed on the loan record detail report incorrectly, the school should include the allegation as a part of its erroneous data appeal.

Note Under the above guidelines, which were implemented beginning with FY 1993 cohort default rates, a Federal SLS loan that was reported as having entered repayment prior to FY 1993 might also meet the criteria to be included in FY 1993 or later. To prevent the possibility of double-counting loans, any Federal SLS loan that was reported in a cohort period prior to FY 1993 will remain in that cohort period and not be reported again.

◆ Loan was repurchased by the lender

If a school believes that a loan was repurchased by the lender and should be removed from the cohort default rate calculation, the school should determine why the loan was repurchased.

- If the loan was repurchased by the lender because the guaranty agency determined that the lender failed to meet the insurance requirements, the loan is an **uninsured loan**. Uninsured loans are not included in either the numerator or the denominator of the cohort default rate calculation.
- If the loan was repurchased because the lender incorrectly submitted the loan to the guaranty agency and the lender **immediately** requested the loan be returned, the loan was not a defaulted loan and should be removed from the numerator of the cohort default rate calculation, UNLESS the lender subsequently submitted another claim on the loan and that claim was paid within the cohort period the loan entered repayment.

- If the loan was repurchased because the borrower established a **new payment plan** and was making payments or if the lender/servicer simply requested the repurchase (i.e., a courtesy repurchase), the loan is still considered a defaulted loan for cohort default rate purposes and should be included in both the numerator and denominator of the cohort default rate calculation, UNLESS the loan meets the rehabilitation criteria discussed in the special circumstances chart on page 21.

If a school believes that a loan does not belong in the school's cohort default rate calculation, the school should include the allegation as a part of its erroneous data appeal.

What role does a guaranty agency have in a school's erroneous data appeal?

A guaranty agency[6] is required to respond to a school's timely submitted erroneous data request for those loans on which the agency currently maintains the guaranty. The agency must respond to the school's erroneous data request within **15 working days** of receiving the request.

If the guaranty agency does not respond within **15 working days**, the school should advise the Department's Default Management Division in writing of the delay.

Note The deadline for a school to submit its appeal to the Department is based on the date the school receives its last response to ALL of its erroneous data request(s).

In its response to a school's request, the guaranty agency will address each of the school's allegations. However, the guaranty agency is NOT required to respond to an erroneous data request if the 10 working day time frame to submit such requests has expired.

Please refer to the "Information for Guaranty Agencies on Appeals" section beginning on page 243 for more information on guaranty agency responsibilities and the "Timing and Submitting" portion of this section beginning on page 90 for more information on the time frames associated with erroneous data appeals.

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[6] 34 CFR §682.401(b)(15)

What role does the Department have in a school's erroneous data appeal?

The Department is responsible for responding to a school's erroneous data request if the challenge includes allegations regarding FFEL Program loans currently held by the Department and/or Direct Loan Program loans.

◆ The **Department's Default Management Division** is responsible for responding to schools' inquiries regarding **FFEL Program loans that are currently held by the Department**. These loans are identified on the loan record detail report with a guarantor/servicer code of **555**. The address for the Department's Default Management Division is provided in "Appendix A."

◆ The **Department's Direct Loan servicer** is responsible for responding to schools' inquiries regarding **Direct Loan Program loans**. These loans are identified on the loan record detail report with a guarantor/servicer code of **0101**. The address for the Department's Direct Loan servicer is provided in "Appendix B."

The Department is also responsible for reviewing a school's erroneous data appeal. The Department will review each allegation submitted by a school as a part of its timely submitted appeal.

◆ If the Department determines that incorrect data was used to calculate the school's cohort default rate, the Department will recalculate the school's rate based on the correct data and notify the school of the revised calculation.

Please refer to page 24 of the "Cohort Default Rates" section for information on adding and subtracting loans from the cohort default rate calculation.

◆ If the school's revised cohort default rate is below the applicable sanction threshold(s), the Department will withdraw the notice that the school is subject to the loss of eligibility to participate in some or all of the student financial assistance programs.

- If the school's revised cohort default rate is NOT below the applicable sanctioned threshold(s) and the school does not have any other cohort default rate appeals pending before the Department, the Department will notify the school of the effective date of its loss of eligibility to participate in the relevant student financial assistance programs. In addition, the school will be liable for the amount of interest and special allowance, reinsurance, and any other related or similar payments which the Secretary is obligated to pay as a result of any FFEL Program or Direct Loan Program loans certified/delivered and originated/disbursed beginning 30 calendar days after the school received notification of its cohort default rate until it withdraws the cohort default rate appeal or receives notification that the cohort default rate appeal was unsuccessful.[7]

Please refer to page 30 of the "Effects of Official Cohort Default Rates" section for more information on the effective dates for a school's loss of eligibility to participate in the FFEL Program and/or Direct Loan Program and Federal Pell Grant Program.

TIMING AND SUBMITTING

What are the time frames and procedures for submitting an erroneous data appeal?

Timing is critical when appealing an official cohort default rate on the basis of erroneous data.

Step 1. Within **10 working days** of receiving its official cohort default rate, a school must review the school's official cohort default rate notification letter and this Guide to determine if the school is eligible to appeal based on allegations of erroneous data.

Please refer to the beginning of this section on page 77 for a detailed discussion regarding which schools are eligible to appeal based on allegations of erroneous data.

Time frames may overlap. Read ALL steps.

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[7] HEA § 435(a)(2)(A)

Step 2: If eligible to submit an erroneous data appeal, **within the time frame described in Step 1** (i.e., within 10 working days of receiving its official cohort default rate), a school must—

- Identify any **disputed data** remaining from the draft data challenge by:
  - reviewing the responses it received to its draft data challenge(s);
  - identifying allegations that the entity responsible for responding to the draft data challenge did NOT agree to change;

Example: In State Guaranty Agency's May 5, 1999 draft data challenge response, State Guaranty Agency did NOT agree to remove Tom Tucker from Business School's FY 1997 cohort default rate.

  - reviewing the official loan record detail report to verify that a change was not made to the account;

Example: Tom Tucker's loan remains in Business School's official FY 1997 cohort default rate calculation.

AND

  - verifying that according to the school's records and information obtained from outside sources, a change to the account should be made.

Example: Business School's records indicate that Tom Tucker left school on July 15, 1997. The school's records also indicate that the guaranty agency timely received the information on the student's last date of attendance.

Based on a last date of attendance of July 15, 1997, the date entered repayment should be January 16, 1998 and the loan should be removed from the school's FY 1997 cohort default rate calculation.

◆ Identify any **incorrect new data** appearing in the school's official loan record detail report by:

- comparing the draft loan record detail report to the official loan record detail report;
- identifying differences between the draft and official loan record detail reports.

Example: Business School's FY 1997 **draft** loan record detail report indicates that Vickie Burleson's Stafford loan was not counted in the school's FY 1997 cohort default rate. However, Business School's FY 1997 **official** loan record detail report indicates that Vickie's Stafford loan is counted in both the numerator and denominator of the school's FY 1997 cohort default rate.

AND

- determining if the change between the two reports results in incorrect data.

When determining if data is incorrect, a school should determine if:

- the date the loan entered repayment is correct;
- the loan claim paid date/default date is correct;
- cancelled loans are correctly excluded from the cohort default rate calculation;

- uninsured loans are correctly excluded from the cohort default rate calculation;
- loans that were discharged prior to defaulting are correctly excluded from the numerator of the cohort default rate calculation;
- any loans that entered repayment in the cohort year have not been excluded from the loan record detail report (i.e. are there missing loans?);

AND

- the same loan was not reported in two different cohort years (i.e., are there duplicated loans?).

Note These are some, but not all, of the areas in which errors might occur.

Example: Vickie Burleson's loan was fully cancelled within 120 days of receiving the first disbursement on the loan BUT the loan is listed in the numerator and denominator of the school's FY 1997 official loan record detail report.

Step 3: If disputed data and/or incorrect new data is identified, **within the time frame described in Step 1** (i.e., within 10 working days of receiving its official cohort default rate), a school must—

- ◆ Compile a spreadsheet of disputed and incorrect new data errors by:
  - ❖ reviewing the sample spreadsheet and instructions beginning on page 104;

  AND

  - recording all disputed and incorrect new data errors on a spreadsheet(s) similar to the sample **Erroneous Data Request** spreadsheet on page 105.

Note A school should complete a separate spreadsheet for each entity that currently holds or maintains the guaranty on the loan for which an error has been identified.

- Compile copies of the relevant pages of the loan record detail report;
  - Include the page of the loan record detail report where the borrower appears, or where the borrower should appear. Provide both pages of the loan record detail report if the borrower appears/belongs at the end of one page or at the beginning of the next page.
  - If the borrower is being moved from one year to another, include the page of the loan record detail report where the borrower currently appears, and the page of the loan record detail report where the borrower should appear.
  - If the allegation is based on new data, the school should include the draft loan record detail report along with the official loan record detail report to demonstrate that the data is actually new data.

AND

- Compile copies of relevant supporting documentation that demonstrates that the loan is not being correctly used in the cohort default rate calculation:
  - Signed and dated copy of a letter to the relevant lender, guaranty agency and/or servicer that timely informs the entity of the borrower's last date of attendance and proof that the guaranty agency/Direct Loan servicer or servicer received the documentation;

  - Signed and dated copy of a Student Status Confirmation Report (SSCR) sent to a relevant entity that timely confirms the borrower's last date of attendance and proof that the guaranty agency/Direct Loan servicer or servicer received the documentation;

AND/OR

  - A screen print from the SSCR function within NSLDS that timely confirms the borrower's last date of attendance was recorded within NSLDS and proof that the guaranty agency/Direct Loan servicer or servicer received the documentation.

Note These are some, but not all, of the possible documentation that may be provided to support a school's allegation.

Step 4: **Within the time frame described in Step 1** (i.e., within 10 working days of receiving its official cohort default rate), a school must—

- Request verification of the identified errors from each entity that currently holds or maintains the guaranty on the loan for which an error has been identified by:
  - submitting a request letter using the sample **Erroneous Data Request** cover letter on page 103;

Note The addresses for the relevant entities to which the request must be submitted can be found by cross-referencing the guarantor/servicer code on the loan record detail report and locating the guarantor/servicer code in Appendices A and B.

Q. How long does a guaranty agency/Direct Loan servicer have to respond to a school's erroneous data request?

A. A guaranty agency/Direct Loan servicer has **15 working days** to respond to a school's erroneous data request.

Please refer to the section entitled "Information for Guaranty Agencies on Appeals" on page 243 for more information about responses to a school's erroneous data request.

  - submitting a list of alleged errors using the sample **Erroneous Data Request** spreadsheet created in Step 3;

  - submitting copies of the relevant pages of the loan record detail reports associated with each allegation of error as described on page 94.

  AND

  - submitting copies of relevant documentation that supports the school's allegation as described on pages 94 and 95.

Note If a school is appealing its three most recent years of cohort default rates, it should submit all three erroneous data appeals in a single mailing.

- **Simultaneously** send the Department copies of the request letter(s) and the school's list(s) of alleged errors. A school does NOT need to send copies of the loan record detail reports or supporting documentation to the Department at this time.

Note If a school does not meet these **10-working-day** time frames, the school will NOT be eligible to continue with the erroneous data appeal process.

Step 5: Determine if any additional information is needed within **5 working days** of receipt of an entity's response to a school's request or verification of error. If additional information is needed, the request must be submitted within **5 working days** of receipt of the initial response and a copy of the request must be simultaneously sent to the Department using the address on page 101.

Note Guaranty agencies/Direct Loan servicer must respond to the subsequent inquiries within **5 working days** of receiving the school's subsequent request.

Step 6. Within **5 working days** of receiving the last response to ALL of the school's erroneous data requests(s)], decide how to proceed.

- A school should **withdraw** from the erroneous data appeal process if it is convinced that there are not any errors in its cohort default rate calculation;

  OR

- A school should **continue** with the erroneous data appeal process if:
  - it disagrees with the responses received to its erroneous data request;

    OR

  - the responses indicate that a change is warranted.

Note Even if the guaranty agency/Direct Loan servicer agrees that a change is warranted, the school must still submit the change to the Department — only the Department can decide on and make the recommended changes.

Step 7. Notify the Department whether the school is withdrawing from the appeal process or continuing with the appeal process.

Due date for submitting the appeal to the Department

- If the school wants to **withdraw** its erroneous data appeal, within **5 working days** of receiving the last response to ALL of its requests for erroneous data, notify the Department in writing that the school is withdrawing its erroneous data appeal.

Note If the school withdraws its appeal, it is still liable to pay the Secretary interest, special allowance, reinsurance, and other related and similar payments for FFEL Program and Direct Loan Program loans certified/delivered and originated/disbursed beginning 30 calendar days after the school received notification of its cohort default rate until it withdraws its appeal.

Q. May a school submit its request for adjustment with its erroneous data appeal and/or improper loan servicing and collection appeal?

A. No. A school's request for adjustment must be submitted separately and within **30 calendar days** of receiving its official loan record detail report.

Please refer to the "Withdrawing an Appeal" section on page 237.

OR

- If the school wants to **continue** with the erroneous data appeal process, it must:
  - submit the school's allegations of disputed and/or incorrect new data to the Department within **5 working days** of receiving the last response to ALL of its erroneous data requests using the address on page 101;

    OR

  - submit the erroneous data appeal with an improper loan servicing and collection appeal.

    If a school is submitting both an erroneous data appeal and an improper loan servicing and collection appeal, it may submit the two simultaneously by the latter of:

    - within **5 working days** of receipt of the last response to ALL of the school's erroneous data requests;

      OR

    - within **30 calendar days** of receipt of the last response to ALL of the school's requests for loan servicing records.

Note If a school is appealing its three most recent years of cohort default rates, it should submit all three erroneous data appeals in a single mailing to the Department.

Step 8. **Within the time frames described in Step 7**, compile a list of the disputed and/or incorrect new data using the sample **Erroneous Data Appeal** spreadsheet on page 109.

Step 9: **Within the time frames described in Step 7**, submit the school's erroneous data appeal to the Department using the address on page 101.

Note If a school fails to timely submit its erroneous data appeal to the Department's Default Management Division, the Department will not review the appeal and will return all appeal-related material to the school.

The Department recommends that the school submit an erroneous data appeal in a single, tabbed binder. The recommended tabs and materials are shown on the next page.

The following material should be sent to the Department's Default Management Division at the address shown on page 101.

The section behind Tab 1 contains:

Tab 1

A letter on the school's letterhead with—

- the school's OPE ID number;
- a statement indicating that the school is submitting an erroneous data appeal;
- the fiscal year(s) to which the appeal applies;
- a certification that indicates that the information provided in the appeal, under penalty of perjury, is true and correct[8];
- the signature of the school's President/ CEO/Owner, followed by a signature block providing the signer's name and job title;

AND

- a notation that a copy of the cover letter will be sent to the relevant guaranty agency and/or Direct Loan Servicer.

Note Schools only need to send a copy of the cover letter of the appeal to the guaranty agency and/or Direct Loan servicer. It is not necessary to send the entire appeal to the guaranty agency and/or Direct Loan servicer.

Schools should refer to the sample **Erroneous Data Appeal** cover letter, on page 107.

The section behind Tab 2 contains:

Tab 2

Copies of all **relevant correspondence**, including:

- the responses to the school's request(s) for error;

AND/OR

- the response(s) to the school's draft data challenge(s).

The section behind Tab 3 contains:

Tab 3

A **spreadsheet** of ALL of the school's alleged data errors in the official cohort default rate.

Schools should refer to the sample **Erroneous Data Appeal** spreadsheet on page 109 and detailed instructions on how to create the spreadsheet on page 108.

The section behind Tab 4 contains:

Tab 4

Supporting documentation to support the school's list of alleged errors.

Schools should refer to page 94 and 95 for information on supporting documentation.

Note Schools do NOT need to submit copies of their loan record detail reports to the Department.

Note The Department will review only the information submitted with the erroneous data appeal and will not consider information submitted after the regulatory deadlines. The Department will send the school and each involved entity written notification of its decision. **The Department's decision is final and no further administrative review is provided.**

---

[8] 34 CFR § 668.17(c)(6)

If sent by commercial overnight mail/courier delivery, send the school's erroneous data appeal to:

Overnight Delivery

U.S. Department of Education
Default Management Division
ATTN: Erroneous Data Appeals
ROB-3, Room 3905
7th and D Streets, SW
Washington, DC 20407

If sent by U.S. Postal Service, send the school's erroneous data appeal to:

U.S.
Postal
Service

U.S. Department of Education
Default Management Division
ATTN: Erroneous Data Appeals
Portals Building, Room 6300
400 Maryland Avenue, SW
Washington, DC 20202-5353

Note The Department will not accept any appeal correspondence by facsimile (fax) or e-mail.

The Department recommends that a school send all appeal correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its appeal. A school should maintain the documentation which verifies the receipt of the appeal related material. In addition, a school should retain copies of all documentation submitted as a part of the appeal process.

Sample **Erroneous Data Request** Cover Letter

School of Business
1212 Wedgewood Lane
Leonardtown, Wisconsin 12345-6789
123-456-7890

October 6, 1999

Sample Letter

State Guaranty Agency
Guarantor/Servicer Code 111
ATTN: Compliance Officer
1010 Maple Lane, Suite 200
Woodston, Michigan 98765-4321

OPE ID#: 111222

Subject: FY 1997 Erroneous Data Request

Dear Mr. Bowen:

School of Business, **OPE ID# 111222**, is submitting an erroneous data request of the attached errors in its official loan record detail report for FY 1997.

Please see the enclosed spreadsheet, loan record detail reports, and supporting documentation.

Sincerely,

Robert Young

Robert Young, President

Enclosures

cc: U. S. Department of Education, Default Management Division

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Record all loans being challenged using a spreadsheet software application such as Excel, Lotus 1-2-3, or Supercalc

Note Fill out a separate spreadsheet **for each entity** identified by the guarantor/servicer code for which the school alleges errors

Header:	Enter **FY *[insert year(s)]* Erroneous Data Request** in the center of the header area. In the left-hand area, enter the school's name, the school's OPE ID number, and the guarantor/servicer code and name
Footer:	Enter the date the request was prepared in the left side of the footer area. Set up automatic pagination in the right side of the footer area so that the specific page number and the total number of pages show on each page, for example: page 1 of 10 pages
Sort:	The borrowers listed on the spreadsheet should be sorted by the borrower's Social Security number

Note Only the allegations listed on the school's spreadsheet will be reviewed. **If a borrower has multiple loans containing data errors, a school must enter data for each loan for the borrower.**

On Row 1, enter exactly the same column names in exactly the same order as listed on the sample spreadsheet. Ensure that column names appear at the top of each page

On Row 2 and below, include the following data for each loan for which the school is requesting verification of error

A school should input dates based on the school's records. A school should NOT include dates based on the loan record detail report or guaranty agency and/or Direct Loan servicer information if it believes those dates are incorrect.

Instructions for Erroneous Data Request Spreadsheet

Column 1:	Enter the student's social security number (SSN) using hyphens to separate the numbers (example 000-88-0000)
Column 2:	Enter the borrower's name
Column 3:	Enter Disputed (Disputed Data) or New (New Data) to identify if errors are alleged on the basis of unresolved data allegations from the draft data challenge or incorrect new data
Column 4:	Enter the loan type. Use the following codes

Loan Type Codes	
Code	**Description**
D1	Direct Loan Subsidized Stafford Loan
D2	Direct Loan Unsubsidized Stafford Loan
SF	FFEL Subsidized Stafford Loan
SL	Supplemental Loans for Student Loans
SU	FFEL Unsubsidized Stafford Loan

Column 5:	Enter MM/DD/CCYY (month, day, and year) of the earlier of the borrower's LDA (last date of attendance) or the LTH (less than half-time) date according to the school's records and outside sources
Column 6:	Enter MM/DD/CCYY or MM/CCYY to identify the DER (date the loan entered repayment) according to the school's records and outside sources
Column 7:	Enter MM/DD/CCYY or MM/CCYY to identify the CPD (claim paid date), DD (default date), or ICRD (income contingent repayment date) according to the school's records and outside sources
Column 8	Enter the fiscal year(s) to which the school believes this information should be applied
Column 9:	Enter N (numerator), D (denominator), or B (both numerator and denominator), accompanied by a plus or minus sign (such as +D or -D) to show how the school believes the information will affect its official CDR (cohort default rate) calculation

Sample Erroneous Data Request Spreadsheet

School of Business
OPE ID Number 111222
Guarantor/Servicer Code 111
ABC Guaranty Agency

FY 1997
Erroneous Data Request

Note: This is a sample spreadsheet. See instructions on the previous page.

1. Borrower's SSN	2. Borrower's Name	3. Basis of alleged error (Disputed or New)	4. Type of loan (Use codes on instructions)	5. Earlier of LDA or LTH (MM/DD/CCYY)	6. Date entered repayment (DER) (MM/DD/CCYY)	7. CPD DD, ICRD, or N/A (MM/DD/CCYY) or (MM/CCYY)	8. FY(s) appl.	9. Effect on CDR calc. (N,D or B)
121-21-2121	Tom Tucker	Disputed	SF	07/15/1997	01/16/1998	N/A	FY 1997 FY 1998	-D +D
232-23-2323	Vickie Burleson	New	SF	cancelled	cancelled	cancelled	FY 1997	-B

10/06/1999

[send to the relevant entity at the address located in Appendices A and B.]

Page 1 of 1

Sample **Erroneous Data Appeal** Cover Letter

School of Business
1212 Wedgewood Lane
Leonardtown, Wisconsin 12345-6789
123-456-7890

January 4, 1999

Sample Letter

U.S. Department of Education
Default Management Division
ATTN: Erroneous Data Appeal
Portals Building, Room 6300
400 Maryland Avenue, S.W.
Washington, D.C. 20202-5353

Subject: **FY 1997 Erroneous Data Appeal**

Dear Default Management Division:

School of Business, **OPE ID# 111222,** is submitting the attached appeal based on allegations of erroneous data in its FY 1997 official cohort default rate.

Please see the enclosed correspondence, spreadsheet, and supporting documentation.

I, the undersigned, certify under penalty of perjury, that all information submitted in support of the erroneous data appeal is true and correct.

Sincerely,

Robert Young

Robert Young, President

Enclosures

cc: State Guaranty Agency
Direct Loan Servicer

Instructions for Erroneous Data Appeal Spreadsheet

Record all loans being appealed to the U.S. Department of Education using a spreadsheet software application such as Excel, Lotus 1-2-3, or Supercalc.

The spreadsheet should be on 8 ½" x 11" paper in a landscape (horizontal) layout. A sample spreadsheet follows these instructions.

Header: Enter **FY *[insert year(s)]* Erroneous Data Appeal** in the center of the header area. In the left-hand area, enter the school's name and the school's OPE ID number.

Footer: Enter the date the appeal was prepared in the left side of the footer area. Set up automatic pagination in the right side of the footer area so that the specific page number and the total number of pages show on each page, for example, page 1 of 10 pages.

Sort: The students listed on the spreadsheet should be sorted by

1. Entity identified by guarantor/servicer code on the loan record detail report
2. Borrower's Social Security number

Note: Only the allegations listed on the school's spreadsheet will be reviewed. **If a borrower has multiple loans containing data errors, a school must enter data for each loan for the borrower.**

On Row 1, enter exactly the same column names in exactly the same order as listed on the sample spreadsheet. Ensure that column names appear at the top of each page.

On Row 2 and below, include the following data for each loan for which the school is requesting verification of error.

A school should input dates based on the school's records. A school should NOT include dates based on the loan record detail report or guaranty agency and/or Direct Loan servicer information if it believes those dates are incorrect.

Column 1: Enter the student's social security number (SSN) using hyphens to separate the numbers (example: 000-88-0000).

Column 2: Enter the student's name.

Column 3: Enter Disputed (Disputed Data) or New (New Data) to identify if errors are alleged on the basis of unresolved data after the release of the draft cohort default rates or incorrect new data.

Column 4: Enter the loan type. Use the following codes.

Loan Type Codes	
Code	**Description**
D1	Direct Loan Subsidized Stafford Loan
D2	Direct Loan Unsubsidized Stafford Loan
SF	FFEL Subsidized Stafford Loan
SL	Supplemental Loans for Student Loan
SU	FFEL Unsubsidized Stafford Loan

Column 5: Enter MM/DD/CCYY (month, day, and year) to identify the earlier date of the borrower's LDA (last date of attendance) or the LTH (less than half-time) date according to the school's records and outside sources.

Column 6: Enter MM/DD/CCYY or MM/CCYY to identify the DER (date the loan entered repayment) according to the school's records and outside sources.

Column 7: Enter MM/DD/CCYY or MM/CCYY to identify the CPD (claim paid date), DD (default date), or ICRD (income contingent repayment date) according to the school's records and outside sources.

Column 8: Enter the guarantor/servicer code identified on the loan record detail report.

Column 9: Enter the fiscal year(s) to which the school believes this information should be applied.

Column 10: Enter N (numerator), D (denominator), or B (both numerator and denominator), accompanied by a plus or minus sign (such as +D or -D) to show how the school believes the information will affect its official CDR (cohort default rate) calculation.

Sample Erroneous Data Appeal Spreadsheet

School of Business
OPE ID Number 111222

FY 1997
Erroneous Data Appeal

Note: This is a sample spreadsheet. See instructions on the previous page.

1. Borrower's SSN	2. Borrower's Name	3. Basis of alleged error (Disputed or New)	4. Type of loan (Use codes on instructions)	5. Earlier of LDA or LTH (MM/DD/CCYY)	6. Date entered repayment (DER) (MM/DD/CCYY)	7. CPD DD, ICRD, or N/A (MM/DD/CCYY) (or MM/CCYY)	8. Entity Code from LRDR	9. FY(s) appl.	10. Effect on CDR calc. (N,D or B)
121-21-2121	Tom Tucker	Disputed	SF	07/15/1997	01/16/1998	N/A	111	FY 1997 FY 1998	-D +D
232-23-2323	Vickie Burleson	New	SF	Cancelled	Cancelled	Cancelled	111	FY 1997	-B

01/04/2000

[send to U.S. Department of Education's Default Management Division at the address located on page 101.]

Page 1 of 1 page

Improper Loan Servicing and Collection Appeal

QUALIFYING

What is an improper loan servicing and collection appeal?

An improper loan servicing and collection appeal is a challenge submitted to the U.S. Department of Education (Department) alleging that a postsecondary school's (school) official cohort default rate includes defaulted Federal Family Education Loan (FFEL) Program and/or William D. Ford Federal Direct Loan (Direct Loan) Program loans on which the borrower did not make a payment and the lender/servicer failed to perform loan collection activities specified in 34 CFR § 668.17(h).

Which schools are eligible to submit an improper loan servicing and collection appeal?

If a school's most recent official cohort default rate (in this case FY 1997) is equal to or greater than 20.0 percent, the school may file an appeal alleging improper loan servicing and collection[1] if it believes that one or more defaulted FFEL Program and/or Direct Loan Program loans included in its official cohort default rate calculation did not receive loan servicing activities specified in 34 CFR § 668.17(h).

Note A school does NOT have to be subject to sanctions to submit an appeal on the basis of improper loan servicing and collection, but the school's official cohort default rate must be 20.0 percent or greater.

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[1] HEA § 435(a)(3) and 34 CFR § 668.17(h)(1)

Why should a school submit an improper loan servicing and collection appeal?

If eligible, a school should submit an improper loan servicing and collection appeal if it believes that there are improperly serviced loans in its official loan record detail report as defined in 34 CFR § 668.17(h) and it has not previously appealed the official cohort default rate based on allegations of improper loan servicing and collection.

This checklist summarizes the criteria for an improper loan servicing and collection appeal. A school should review the checklist to determine if it can appeal on the basis of improper loan servicing and collection.

Improper Loan Servicing and Collection Appeal Eligibility Checklist

To be eligible to appeal its official cohort default rate on the basis of improper loan servicing and collection, a school must meet ALL of the following criteria:

☐ the school's most recent official cohort default rate is 20.0 percent or greater;

AND

☐ after reviewing the loan servicing records for defaulted loans included in the school's official cohort default rate, the school believes that the loans were improperly serviced as described in 34 CFR § 668.17(h)(3)(viii);

AND

☐ the school has NOT previously appealed the official cohort default rate at issue on the basis of improper loan servicing and collection.

Which cohort default rates may a school appeal?

The sanction(s) to which a school is subject determine which cohort default rates a school may appeal on the basis of improper loan servicing and collection.

- If the school is NOT subject to sanctions, but its most recent official cohort default rate (in this case FY 1997) is 20.0 percent or greater, it may ONLY appeal its most recent official cohort default rate (in this case FY 1997) based on allegations of improper loan servicing and collection.
- If the school is subject to **initial loss** of FFEL Program and/or Direct Loan Program and Federal Pell Grant Program eligibility, it may appeal any or all of the three most recent official cohort default rates on which the loss is based (in this case FY 1997, FY 1996, and/or FY 1995) — as long as the school has not previously challenged that fiscal year's official cohort default rate on the basis of improper loan servicing and collection.
- If the school is subject to **extended loss** of FFEL Program and/or Direct Loan Program and Federal Pell Grant Program eligibility, it may appeal ONLY the most recent (in this case FY 1997) official cohort default rate.
- If the school is subject to possible action to **limit, suspend, and/or terminate (LS&T)** its eligibility to participate in all Title IV Student Financial Assistance Programs due to its most recent official cohort default rate, but it is NOT subject to initial loss of FFEL Program and/or Direct Loan Program and Federal Pell Grant Program participation, it may appeal ONLY the most recent (in this case FY 1997) official cohort default rate.

Please refer to the "Effects on Official Cohort Default Rates" section beginning on page 25 for more information on sanctions.

Q. If a school is subject to both initial loss of FFEL Program/Direct Loan Program/Federal Pell Grant Program eligibility AND LS&T, which official cohort default rates may the school appeal?

A. The school may appeal its three most recent official cohort default rates, as long as it has not previously appealed that year's official cohort default rate on the basis of improper loan servicing and collection.

The table below summarizes the official cohort default rates that a school may appeal on the basis of improper loan servicing and collection.

Official Cohort Default Rates That May Be Appealed on the Basis of Improper Loan Servicing and Collection

If a school is subject to ...	The school may...
no sanctions and has an FY 1997 official cohort default rate that is 19.9 percent or lower	NOT appeal
no sanctions but has an FY 1997 official cohort default rate of 20.0 percent or greater	appeal FY 1997
initial loss of FFEL Program and/or Direct Loan Program and Federal Pell Grant Program eligibility	appeal FY 1997, FY 1996,* and FY 1995*
extended loss of FFEL Program and/or Direct Loan and Federal Pell Grant Program eligibility	appeal FY 1997
LS&T only (based on FY 1997 cohort default rate)	appeal FY 1997
LS&T AND initial loss of FFEL Program and/or Direct Loan Program and Federal Pell Grant Program	appeal FY 1997, FY 1996,* and FY 1995*

* Provided that the school has not previously appealed the cohort default rate on the basis of improper loan servicing and collection

How can an improper loan servicing and collection appeal affect a school's official cohort default rate?

If, as a result of an improper loan servicing and collection appeal, the Department determines that a loan (or loans) should be removed from the school's official cohort default rate calculation, the Department will remove the improperly serviced loan (or loans) from the numerator and the denominator of the school's official cohort default rate calculation and recalculate the rate using the corrected data.[2] **This generally lowers the school's official cohort default rate**.

Please refer to the chart on page 24 in the section entitled "Cohort Default Rates" for an explanation on how the removal of loans from the cohort default rate calculation affects the cohort default rate.

Note Even though the Department may alter a school's cohort default rate calculation, subsequent copies of the school's loan record detail report will not reflect the change. Therefore, it is important to keep a copy of the Department's final determination letter as the official record of the school's cohort default rate.

If a school received a **representative sample** of loan servicing records and the Department determines that some of the loans included in the sample were improperly serviced, the Department will extrapolate the results of the review over the entire population of relevant defaulted accounts included in the cohort default rate calculation.[3]

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[2] HEA §435(m)(1)(B)

[3] 34 CFR §668 17(h)(3)(v)(B)

When is a defaulted loan considered improperly serviced for cohort default rate purposes?

A defaulted **FFEL Program loan** is considered to have defaulted due to improper servicing[4] if:

- the **borrower never made a payment;**

AND

- the school can document that the lender **failed to perform one or more** of the following activities:
    - send at least one **letter** (other than the final demand letter) urging the borrower or endorser to make payments on the loan (if the lender was required to send such letters);
    - attempt at least one **telephone call** to the borrower or endorser (if such attempts were required);
    - submit a request for **pre-claims assistance to the guaranty agency** (if such a request was required);
    - send a **final demand letter** to the borrower (if required);

    AND/OR

    - submit a certification (or other evidence) that **skip tracing** was performed (if required).

Note Servicing and collection activities performed by the lender after the final demand letter has been sent will not be considered when determining if a loan has been properly serviced for cohort default rate purposes.

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[4] 34 CFR § 668 17(h)(3)(viii)(A)

A defaulted **Direct Loan Program loan** is considered to have defaulted due to improper servicing[5] if:

- the **borrower never made a payment**

  AND

- the school can document that the Direct Loan servicer **failed to perform one or more** of the following activities:
  - send at least one **letter** (other than the final demand letter) urging the borrower or endorser to make payments on the loan (if the Direct Loan servicer was required to send such letters);
  - attempt at least one **telephone call** to the borrower or endorser unless the borrower or endorser is incarcerated or is residing outside a State, Mexico, or Canada (if such attempts were required);
  - send a **final demand letter** to the borrower (if required);

    AND/OR

  - document that skip tracing was performed if the Direct Loan servicer determined it did not have the borrower's current address.

Note Servicing and collection activities performed by the Direct Loan servicer after the final demand letter has been sent will not be considered when determining if a loan has been properly serviced for cohort default rate purposes.

Q. Does the Direct Loan servicer have to request pre-claims assistance in order for a Direct Loan Program loan to be considered properly serviced?

A. No, there is no parallel for this activity in the Direct Loan Program.

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[5] 34 CFR § 668.17(h)(3)(viii)(B)

What is involved in skip tracing?

Skip tracing is required when the lender/servicer receives information indicating that the borrower's address of record is not current or is incorrect.

The lender/servicer must either:

- certify that skip tracing was performed;

OR

- perform at least one of the following—
    - attempt to contact the endorser;
    - attempt to contact the borrower's relatives;
    - attempt to contact the borrower's references;
    - attempt to contact the borrower, endorser, or references using telephone directory assistance;
    - attempt to contact any individual and/or any entities in the borrower's loan file;

    OR

    - perform any other normal skip tracing activity.

Note For cohort default rate purposes, skip tracing is NOT required if:
1) the lender/servicer receives information regarding an incorrect address on or after 151 days of the borrower becoming delinquent;
OR
2) the lender/servicer has the borrower's address but does not have a record of the borrower's correct telephone number.

Is a loan considered improperly serviced for cohort default rate purposes if the servicing conducted on the loan does not meet the requirements outlined in 34 CFR § 682.411?

No. The requirements outlined in 34 CFR § 682.411 define the steps a lender must take in order for the lender and guaranty agency to qualify for federal payments on a loan. The requirements outlined in 34 CFR § 668.17(h) form the only basis on which a school may submit a cohort default rate appeal based on improper loan servicing and collection.

When is a defaulted loan considered properly serviced for cohort default rate purposes?

A defaulted **FFEL Program loan** is considered to have been properly serviced if:

- the **borrower made a payment**;

  OR

- the loan servicing records indicate that the lender **performed** the following activities, as required:
  - sent at least one **letter** (other than the final demand letter) urging the borrower or endorser to make payments on the loan (if the lender was required to send such letters);
  - attempted at least one **telephone call** to the borrower or endorser (if such attempts were required);
  - submitted a request for **pre-claims assistance to the guaranty agency** (if such a request was required);
  - sent a **final demand letter** to the borrower (if required);

Q. If a school believes that a loan servicing record is improperly serviced because it does not meet the requirements outlined in 34 CFR § 682.411, should the school submit the loan servicing record to the Department?

A. No, a school should only submit a loan servicing record to the Department if the record does not meet the requirements outlined in 34 CFR § 668.17(h).

AND/OR

- submitted a certification (or other evidence) that **skip tracing** was performed (if required).

A defaulted **Direct Loan Program loan** is considered to have been properly serviced if:

- the **borrower made a payment**;

  OR

- the loan servicing records indicate that the Direct Loan servicer **performed** the following activities as required:
  - sent at least one **letter** (other than the final demand letter) urging the borrower or endorser to make payments on the loan (if the Direct Loan servicer was required to send such letters);
  - attempted at least one **telephone call** to the borrower or endorser unless the borrower or endorser is incarcerated or is residing outside a State, Mexico, or Canada (if such attempts were required);
  - sent a **final demand letter** to the borrower (if required);

    AND/OR

  - submitted a certification (or other evidence) that **skip tracing** was performed if the Direct Loan servicer determined that it did not have the borrower's current address (if required).

Examples of properly and improperly serviced loans for cohort default rate purposes.

Example 1: The following is an example of a **properly serviced FFEL Program loan**.

The loan servicing record for Sarah Watson's FFEL Program Stafford loan indicates that a collection letter regarding the FFEL Program Stafford loan was mailed to Sarah by the lender on November 11, 1997. In addition, the lender attempted to contact Sarah by telephone on January 14, 1998. Finally, the loan servicing record indicates that a pre-claims assistance request was sent by the lender to the guaranty agency on April 15, 1998 and a final demand letter was mailed to Sarah on May 15, 1998. This loan is considered **properly serviced** because the required efforts identified in 34 CFR § 668.17(h)(3)(viii)(A) were conducted and the record did not show any evidence that the borrower's address was incorrect.

This account should **NOT** be included in a school's appeal based on allegations of improper loan servicing and collection.

Example 2: The following is an example of a **properly serviced FFEL Program loan.**

The loan servicing record for Joey Dean's FFEL Program Stafford Loan shows that Joey defaulted on the loan on September 10, 1998. However, on October 20, 1997, Joey made a payment on the FFEL Program loan. Therefore, this loan is considered **properly serviced** because the borrower made a payment; one of the requirements in 34 CFR § 668.17(h)(3)(viii).

This account should **NOT** be included in a school's appeal based on allegations of improper loan servicing.

Note A Direct Loan Program loan would also be considered properly serviced for cohort default rate purposes if the borrower made a payment on the loan prior to defaulting on the loan.

Example 3: The following is an example of a **properly serviced Direct Loan Program loan**.

The loan servicing record for Wanda Smith's Direct Loan Program loan indicates that a collection letter regarding the loan was mailed to Wanda by the Direct Loan servicer on October 13, 1997. In addition, the Direct Loan servicer attempted to contact Wanda by telephone on February 18, 1998. Finally, the loan servicing record indicates that a final demand letter was mailed to Sarah on May 17, 1998. This loan is considered **properly serviced** because the required efforts identified in 34 CFR § 668.17(h)(3)(viii)(B) were conducted and the record did not show any evidence that the borrower's address was incorrect.

This account should **NOT** be included in a school's appeal based on allegations of improper loan servicing and collection.

Example 4: The following is an example of a **properly serviced loan** requiring **skip tracing.**

The loan servicing record for Ralph Marshall shows that numerous letters were mailed to Ralph, and all the letters were returned with no forwarding address. The lender was unable to contact Ralph by telephone and all phone calls to the references listed on Ralph's loan application and to Ralph's school did not yield a new or forwarding address for Ralph. The lender's calls to directory assistance, the motor vehicle department, and the credit bureau were not successful in finding a current address for Ralph. A final demand letter was not sent to Ralph because an updated address could not be obtained. In addition, Ralph did not make any payments on his loan. However, because the lender conducted at least one skip tracing activity on this account, it is considered a **properly serviced** loan.

This account should **NOT** be included in a school's cohort default rate appeal based on allegations of improper loan servicing and collection.

Example 5: The following is an example of a borrower with **multiple loans**.

Susie Smith has three FFEL Program loans in the FY 1997 official cohort default rate. The official loan record detail report and the loan servicing records show that Susie had two subsidized FFEL Program Stafford loans that defaulted and one unsubsidized FFEL Program Stafford loan that defaulted. The lender serviced the two subsidized FFEL Program loans together. The loan servicing records for the subsidized loans indicate that a collection letter was mailed and a phone call was made by the lender. In addition, the lender requested pre-claims assistance from the guaranty agency and sent a final demand letter to the borrower. These loans are considered **properly serviced** and should **NOT** be included in a school's cohort default rate appeal based on allegations of improper loan servicing and collection.

The unsubsidized FFEL Program Stafford loan was serviced separately from the two subsidized FFEL Program Stafford loans, with different dates for the phone calls, letters, and final demand letter. However, there is no evidence in the loan servicing record that the lender requested pre-claims assistance from the guaranty agency for the unsubsidized FFEL Program Stafford loan. In addition, there is no evidence that a payment was made on the loan or that the lender received any information that the borrower's address was incorrect. Therefore, this loan is considered **improperly serviced**.

In this example, a school should ONLY submit the FFEL Program unsubsidized Stafford loan as part of its appeal based on allegations of improper loan servicing and collection.

Example 6: The following is an example of an **improperly serviced FFEL Program loan**.

The loan servicing record for Jonas Doe's Federal SLS loan shows that a collection letter regarding the Federal SLS loan was mailed to Jonas by the lender on December 8, 1997. In addition, the loan servicing record indicates that the lender attempted to contact Jonas by telephone on January 6, 1998 and a pre-claims assistance request was sent by the lender to the guaranty agency on May 16, 1998. There is no evidence in the loan servicing record that the lender sent a final demand letter to Jonas, that Jonas made a payment on the loan, or that the lender received any information that the borrower's address was incorrect. Therefore, this loan is considered **improperly serviced** because all of the required efforts identified in 34 CFR § 668.17(h)(3)(viii)(A) were not conducted.

This account **should** be included in a school's appeal based on allegations of improper loan servicing and collection.

Example 7: The following is an example of an **improperly serviced Direct Loan Program loan**.

The loan servicing record for Clarke Trader's Direct Loan Program loan shows that a collection letter regarding the Direct Loan Program loan was mailed to Clarke by the Direct Loan servicer on November 10, 1997. In addition, the loan servicing record indicates that the Direct Loan servicer sent a final demand letter to Clarke on January 4, 1998. There is no evidence in the loan servicing record that the Direct Loan servicer attempted to contact Clarke by telephone, that Clarke made a payment on the loan, or that the Direct Loan servicer received any information that the Clarke's address was incorrect. Therefore, this loan is considered **improperly serviced** because all of the required efforts identified in 34 C.F.R. § 668.17(h)(3)(viii)(B) were not conducted.

This account **should** be included in a school's appeal based on allegations of improper loan servicing and collection.

What role does a guaranty agency have in a school's improper loan servicing and collection appeal?

Guaranty agencies are responsible for responding to schools' inquiries regarding **FFEL Program loans** they guaranteed and currently hold. At a school's request, a guaranty agency must provide a representative sample of loan servicing records for defaulted loans that it guaranteed and currently holds and that are included in the school's applicable cohort default rate. A guaranty agency may charge a reasonable fee for these records that does not exceed $10.00 per borrower file.[6]

Note If a guaranty agency guaranteed and currently holds 99 or fewer borrowers' defaulted loans in a school's cohort default rate, the agency is required to provide all of the loan servicing records associated with each borrower's loan included in the cohort default rate calculation. However, if a guaranty agency guaranteed and currently holds 100 or more borrowers' defaulted loans in a school's cohort default rate, the agency may identify a representative sample of the borrowers and only provide the loan servicing records for those borrowers included in the representative sample.[7]

Please refer to page 274 in the section entitled "Information for Guaranty Agencies on Appeals" for more information on identifying a representative sample.

What role does the Department have in a school's improper loan servicing and collection appeal?

The Department is responsible for responding to a school's request for loan servicing records for FFEL Program loans currently held by the Department and/or Direct Loan Program loans.

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[6] 34 CFR §668.17(h)(3)(ii)(B)

[7] 34 CFR §668.17(h)(3)(ii)(B)(2)

- The **Department's Default Management Division** is responsible for responding to schools' inquiries regarding **FFEL Program loans that are currently held by the Department**. These loans are identified on the loan record detail report with a guarantor/servicer code of **555**. The address for the Department's Default Management Division is provided in "Appendix A."

- The **Department's Direct Loan servicer** is responsible for responding to schools' inquiries regarding **Direct Loan Program loans**. These loans are identified on the loan record detail report with a guarantor/servicer code of **0101**. The address for the Department's Direct Loan servicer is provided in "Appendix B."

The Department is also responsible for reviewing a school's improper loan servicing and collection appeal. The Department will review each allegation of improper loan servicing and collection listed on the spreadsheet submitted by a school as a part of its timely submitted appeal.

- If the Department determines that an improperly serviced loan(s) was used to calculate the school's cohort default rate, the Department will recalculate the school's rate and notify the school of the revised calculation.

  Please refer to page 24 of the "Cohort Default Rates" section for information on adding and subtracting loans from the cohort default rate calculation.

- If the school's revised cohort default rate is below the applicable sanction threshold(s), the Department will withdraw the notice that the school is subject to the loss of eligibility to participate in some or all of the student financial assistance programs.

- If the school's revised cohort default rate is NOT below the applicable sanctioned threshold(s) and the school does not have any other cohort default rate appeals pending before the Department, the Department will notify the school of the effective date of its loss of eligibility to participate in the relevant student financial assistance programs. In addition, the school will be liable for the amount of interest and special allowance, reinsurance, and any other related or similar payments which the Secretary is obligated to pay as a result of any FFEL Program or Direct Loan Program loans certified/delivered and originated/disbursed beginning 30 calendar days after the school received notification of its cohort default rate until it withdraws the cohort default rate appeal or receives notification that the cohort default rate appeal was unsuccessful.[8]

  Please refer to page 30 of the "Effects of Official Cohort Default Rates" section for more information on the effective dates for a school's loss of eligibility to participate in the FFEL Program and/or Direct Loan Program and Federal Pell Grant Program.

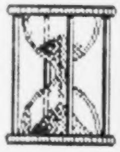
TIMING AND SUBMITTING

What are the time frames and procedures for submitting an improper loan servicing and collection appeal?

Timing is critical when appealing an official cohort default rate on the basis of improper loan servicing and collection.

Step 1. Within **ten working days** of receiving its official cohort default rate, a school must review its official cohort default rate notification letter and this Guide to determine if it is eligible to appeal based on allegations of improper loan servicing and collection.

Please refer to the beginning of this section on page 111 for a detailed discussion regarding which schools are eligible to appeal based on allegations of improper loan servicing and collection.



Time frames may overlap. Read ALL steps.

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[8] HEA § 435(a)(2)(A)

Step 2. If eligible to submit an improper loan servicing and collection appeal, **within the time frame described in Step 1** (i.e., within ten working days of receiving its official cohort default rate), a school must—

- Mail the following to each entity that is responsible for defaulted loans that are included in the school's applicable cohort default rate:
    - A **letter** requesting the loan servicing records for defaulted loans included in the school's cohort default rate.

      Please refer to the sample **Request for Loan Servicing Records** cover letter on page 135.
    - A copy of the **relevant loan record detail report(s).**

Note The addresses for the relevant entities to which the request must be submitted can be found by cross-referencing the guarantor/servicer code on the loan record detail report with the guarantor/servicer codes in Appendices A and B.

- **Simultaneously** send a copy of each letter requesting loan servicing records to the Department. A school does NOT need to send a copy of its loan record detail report to the Department.

Note If the school does not meet these **10-working-day** time frames, the school's request will not be processed, and the Department will not review the improper loan servicing and collection appeal. This means the school will NOT be eligible to continue with the improper loan servicing and collection appeal process.

Step 3: Within **15 working days** of receiving a request for payment for the requested loan servicing records, a school must provide full payment. A school that fails to provide full payment within 15 working days will NOT receive the requested records.

Please refer to the "Information for Guaranty Agencies on Appeals" on page 271 for more information on a guaranty agency's requirement to respond to a school's request for loan servicing records.

Note If the entity responding to the school's request for loan servicing records does NOT charge a fee, please skip to Step 4.

Step 4. Within **five working days** of receiving the loan servicing records, determine if any records are missing or illegible.

- If the **school** finds that a record identified as a part of the representative sample of defaulted loans is missing or illegible and the school wishes to review the record, it must request the missing or illegible record from the entity that identified the record as a part of the sample within **5 working days** of receiving the representative sample from that entity.

Note Guaranty agencies/Direct Loan servicer must respond to the subsequent inquiries within **5 working days** of receiving the school's subsequent request.

A loan servicing record is not considered missing or illegible if all the necessary elements noted in 34 CFR §668.17(h)(3)(viii) can be identified. Nor is a loan servicing record considered missing or illegible if collection history documents are present and legible. Therefore, a school may only request additional documentation if the loan servicing record in question does not have the necessary material present to determine if the elements specified in 34 CFR §668.17(h)(3)(viii) are present.

- If a school receives notification from an entity that the requested loan servicing records are currently held by the Department, the school has **5 working days** from receipt of the entity's letter to submit the request for these records to the Department. The school should submit this request to the address listed on page 134.

Step 5: Within **30 calendar days** of receiving the final response to ALL of the school's requests for loan servicing records, determine whether or not each loan was properly or improperly serviced.

Please refer to pages 116 through 124 for a description of how to determine if a loan has been properly or improperly serviced.

Step 6: **Within the time frame described in Step 5** (i.e., within 30 calendar days of receiving the final response to ALL of the school's requests for loan servicing records), decide how to proceed.

- A school should **withdraw** from the improper loan servicing and collection appeal process if it is convinced that there are NOT any improperly serviced loans in its cohort default rate calculation;

OR

- A school should **continue** with the improper loan servicing and collection appeal process if it is convinced that there ARE improperly serviced loans in its cohort default rate calculation.

Due date for submitting the appeal to the Department.

Step 7. Notify the Department whether the school is withdrawing from the appeal process or continuing with the appeal process.

- If the school wants to **withdraw** its improper loan servicing and collection appeal, within **30 calendar days** of receiving the last response to ALL of its requests for loan servicing records, notify the Department in writing that the school is withdrawing its improper loan servicing and collection appeal.

Note If the school withdraws its appeal, it is still liable to the Secretary for interest and special allowance, reinsurance and other related payments for loans certified/delivered and originated/disbursed beginning 30 calendar days after the school received notification of its cohort default rate until it withdraws its appeal.

Please refer to the "Withdrawing an Appeal" section on page 237.

OR

- If the school wants to **continue** with the improper loan servicing and collection appeal process, it must:
  - submit the school's improper loan servicing and collection appeal to the Department within **30 calendar days** of receiving the last response to ALL of its requests for loan servicing records;

    OR

  - submit the improper loan servicing and collection appeal with an erroneous data appeal.

    If a school is submitting both an erroneous data appeal and an improper loan servicing and collection appeal, it may submit the two simultaneously by the later of:

    - within **30 calendar days** of receipt of the last response to ALL of the school's requests for loan servicing records;

      OR

    - within **5 working days** of receipt of the last response to ALL of the school's erroneous data requests.

Q. May a school submit its request for adjustment with its improper loan servicing and collection appeal and/or erroneous data appeal?

A. No. A school's request for adjustment must be submitted separately and within **30 calendar days** of receiving its official loan record detail report.

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Note If a school is appealing its three most recent cohort default rates, it should submit all three improper loan servicing and collection appeals to the Department in a single mailing.

Step 8. **Within the time frames described in Step 7**, compile a list of the improperly serviced loans using the sample **Improper Loan Servicing and Collection Appeal** spreadsheet on page 139.

Step 9: **Within the time frames described in Step 7**, submit the school's improper loan servicing and collection appeal to the Department using the address on page 134.

Note If a school fails to timely submit its improper loan servicing and collection appeal to the Department's Default Management Division, the Department will not review the appeal and will return all appeal-related material to the school.

The Department recommends that the school submit an improper loan servicing appeal in a single, tabbed binder. The recommended tabs and materials are shown on the next page.

The following should be sent to the Department's Default Management Division at the address shown on page 134.

The section behind Tab 1 contains: **Tab 1**

A **letter** on the school's letterhead with—

- the school's OPE ID number,
- a statement indicating that the school is submitting an improper loan servicing and collection appeal,
- the fiscal year to which the appeal applies,
- a certification sentence that indicates that the information provided in the appeal, under penalty of perjury, is true and correct[9]
- the signature of the school's President/ CEO/Owner, followed by a signature block providing the signer's name and job title

AND

- a notation that a copy of the cover letter of the appeal will be sent to the relevant entity(ies)

Note Schools only need to send a copy of the cover letter of the appeal to the guaranty agency and/or Direct Loan servicer. It is not necessary to send the entire appeal to the guaranty agency and/or Direct Loan servicer.

Schools should refer to the sample **Improper Loan Servicing and Collection Appeal** cover letter on page 137

The section behind Tab 2 contains: **Tab 2**

Copies of all relevant **correspondence**, including the responses to the school's requests for loan servicing records[10]

The section behind Tab 3 contains: **Tab 3**

A **spreadsheet** of all the alleged improperly serviced loans

Schools should refer to the sample **Improper Loan Servicing and Collection Appeal** spreadsheet on page 139 and detailed instructions on how to create the spreadsheet on page 138

The section behind Tab 4 contains: **Tab 4**

A copy of the alleged **improperly serviced loan servicing records**[11]

Note Schools should maintain copies of the loan servicing records submitted to the Department.

Note The Department will review only the information submitted with the improper loan servicing and collection appeal and will not consider information submitted after the regulatory deadlines. The Department will send the school and each involved entity written notification of its decision. **The Department's decision is final and no further administrative review is provided.**

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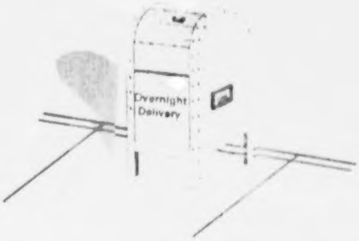
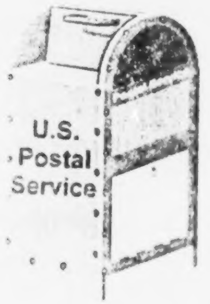
[9] 34 CFR 668.17(h)(3)(iv)(F)
[10] 34 CFR 668.17(h)(3)(iv)(B) and (C)
[11] Id

If sent by commercial overnight mail/courier delivery, the school's improper loan servicing and collection appeal should be sent to:

U.S. Department of Education
Default Management Division
ATTN: Improper Loan Servicing
and Collection Appeal
ROB-3, Room 3905
7th and D Streets, SW
Washington, DC 20407



If sent by U.S. Postal Service, the school's improper loan servicing and collection appeal should be sent to:



U.S. Department of Education
Default Management Division
ATTN: Improper Loan Servicing
and Collection Appeal
Portals Building, Room 6300
400 Maryland Avenue, SW
Washington, DC 20202-5353

Note The Department will not accept any appeal correspondence by facsimile (fax) or e-mail.

The Department recommends that a school send all appeal correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its appeal. A school should maintain the documentation which verifies the receipt of the appeal related material. In addition, a school should retain copies of all documentation submitted as a part of the appeal process.

Sample **Request for Loan Servicing Records** Cover Letter

School of Business
1212 Wedgewood Lane
Leonardtown, Wisconsin 12345-6789
123-456-7890

Sample Letter

October 4, 1999

State Guaranty Agency
Guarantor/Servicer Code 111
ATTN: Compliance Officer
1010 Maple Lane, Suite 200
Woodston, Michigan 98765-4321

OPE ID#: 111222

Subject: Request for FY 1997 Loan Servicing Records

Dear Mr. Bowen:

School of Business, **OPE ID# 111222**, is requesting its loan servicing records for the loans included in its official FY 1997cohort default rate.

Please see the enclosed loan record detail report.

Sincerely,

Robert Young

Robert Young, President

Enclosures

cc: U.S. Department of Education, Default Management Division

Sample **Improper Loan Servicing and Collection Appeal** Cover Letter

School of Business
1212 Wedgewood Lane
Leonardtown, Wisconsin 12345-6789
123-456-7890

Sample Letter

February 5, 1999

U.S. Department of Education
Default Management Division
Attn: Improper Loan Servicing and Collection Appeal
Portals Building, Room 6300
400 Maryland Avenue, SW
Washington, DC 20202-5353

OPE ID#: 111222

Subject: FY 1997 Improper Loan Servicing and Collection Appeal

Dear Default Management Division:

School of Business, **OPE ID# 111222**, is submitting its appeal based on allegations of improperly serviced loans included in its official FY 1997 cohort default rate.

Please see the enclosed correspondence, spreadsheet, and improperly serviced loans which are identified on the spreadsheet.

I the undersigned, certify under penalty of perjury that all information submitted in support of this improper loan servicing and collection appeal is true and correct.

Thank you for your consideration.

Sincerely,

Robert Young

Robert Young, President

Enclosures

Instructions for Improper Loan Servicing and Collection Appeal Spreadsheet

Record all loans being appealed to the U.S. Department of Education using a spreadsheet software application such as Excel, Lotus 1-2-3, or Supercalc.

The spreadsheet should be on 8 ½" x 11" paper in a landscape (horizontal) layout. A sample spreadsheet follows these instructions.

Header:	Enter **FY *[insert year(s)]* Improper Loan Servicing and Collection Appeal** in the center of the header area. In the left-hand area, enter the school's name and the school's OPE ID number. In the right-hand area, enter the guarantor/servicer code and the number of loans listed for each guarantor/servicer code on the spreadsheet.
Footer:	Enter the date the appeal was prepared in the left side of the footer area. Set up automatic pagination in the right side of the footer area so that the specific page number and the total number of pages show on each page, for example: page 1 of 10 pages.
Sort:	The report should be a listing of all **improperly** serviced loans in order by: 1. Guaranty/Servicer code listed on the loan record detail report 2. Borrower's social security number

Note Only the allegations listed on the school's spreadsheet will be reviewed. If a borrower has more than one defaulted loan and allegations of improper loan servicing and collection are being made on more than one of the defaulted loans, each loan must be listed separately on the spreadsheet.

On Row 1, enter exactly the same column names in exactly the same order as listed on the sample spreadsheet. Ensure that column names appear at the top of each page.

On Row 2 and below, include the following data for each loan for which the school is alleging improper loan servicing and collection.

Column 1:	Enter the borrower's social security number (SSN) using hyphens to separate the numbers (example: 000-88-0000).
Column 2:	Enter the borrower's name.
Column 3:	Enter the loan type. Use the codes shown in the next column to identify the type of loan.

Loan Type Codes

Code	Description
D1	Direct Loan Subsidized Stafford Loan
D2	Direct Loan Unsubsidized Stafford Loan
SF	FFEL Subsidized Stafford Loan
SL	Supplemental Loans for Student Loan
SU	FFEL Unsubsidized Stafford Loan

Column 4:	Enter MM/DD/CCYY (month, day year) to identify when a demand letter (other than a final demand letter) was sent. Leave blank if a demand letter was not sent.
Column 5:	Enter MM/DD/CCYY to identify when a telephone call to the borrower was attempted. Leave blank if a telephone call was not attempted.
Column 6:	Enter MM/DD/CCYY to identify when pre-claims assistance was requested by the lender for a FFEL loan. Leave blank if pre-claims assistance was not requested. Enter N/A if the loan is a Direct Loan Program loan.
Column 7:	Enter MM/DD/CCYY to identify when a final demand letter was sent. Leave blank if a final demand letter was not sent.
Column 8:	Enter MM/DD/CCYY to identify if there is evidence or certification that skip tracing was performed. Enter N/A (not applicable) if not required or leave blank if evidence or certification is not evident.
Column 9:	Enter "X" if an illegible loan servicing record was provided. Leave blank if record was legible, or if all of the elements are listed on the loan servicing record.
Column 10:	Enter "X" if a loan servicing record was identified as a part of the sample but was not provided by the relevant entity. Leave blank if record was provided.
Column 11:	Enter "X" if a loan servicing record is improperly serviced. Leave blank if record was properly serviced. **Properly serviced loans are NOT to be included in a school's appeal to the Department.**
Column 12:	Enter the guarantor/servicer code associated with the loan on the loan record detail report. These codes can be found in Appendices A and B.

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Sample Improper Loan Servicing and Collection Appeal Spreadsheet

School of Business
OPE ID 111222

111 ABC Guaranty agency 3 loans

FY 1997 Improper Loan Servicing and Collection Appeal

Note: This is a sample spreadsheet.
(See instructions.)

1. Borrower's SSN	2. Borrower's Name	3. Type of loan	4. Date demand letter (other than final demand letter) sent (MM/DD/CCYY or leave blank)	5. Date telephone call attempted (MM/DD/CCYY or leave blank)	6. Date pre-claims assistance requested (MM/DD/CCYY or leave blank)	7. Date final demand letter sent (MM/DD/CCYY or leave blank)	8. Date skip tracing certified or evidence of skip tracing (MM/DD/CCYY or leave blank)	9. Illegible loan servicing record provided (or leave blank)	10. No loan servicing record provided (or leave blank)	11. Improperly serviced (or leave blank)	12. GA/servicer code on loan record detail report
111-11-1111	Susie Smith	SU	04/08/1997	05/07/1997		11/07/1997	N/A			X	111
222-22-2222	Jonas Doe	SL	12/08/1997	01/06/1998	05/18/1998		N/A			X	111
333-33-3333	Clarke Trader	D1	11/10/1997		N/A	01/04/1998	N/A			X	111

02/05/2000

[send to U.S. Department of Education's Default Management Division at the address located on page 134.]

Page 1 of 1

Exceptional Mitigating Circumstances Appeal

GENERAL INFORMATION

What types of exceptional mitigating circumstances appeals may a school submit?

There are five types of exceptional mitigating circumstances appeals.

◆ If a school certifies relatively few Federal Family Education Loan (FFEL) Program and/or William D. Ford Direct Loan (Direct Loan) Program loans, it may be able to file an exceptional mitigating circumstances appeal based on its **participation rate index**[1].

Please refer to the "Participation Rate Index Appeal" section beginning on page 151 for more information on submitting an exceptional mitigating circumstance appeal based on a participation rate index.

◆ If a school is a non-degree-granting school and enrolls at least 66⅔ percent of its students from economically disadvantaged backgrounds AND has a job placement rate of at least 44.0 percent, it may be able to file an exceptional mitigating circumstances appeal based on its **economically disadvantaged and placement rates**.[2]

Q. What if a school does not know if it is classified as a degree-granting or non-degree granting school?

A. A school should refer to its Eligibility and Certification Approval Report generated by the Department's Case Management Division.

If additional assistance is needed in making this determination, please contact the Case Management Division at (202) 205-[illegible]

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[1] HEA § 435(a)(6)(A)

[2] HEA § 435(a)(4)(A)(i) and (iii)

Please refer to the "Economically Disadvantaged and Placement Rate Appeal" section beginning on page 167 for more information on submitting an exceptional mitigating circumstance appeal based on economically disadvantaged and placement rates.

- If a school is a degree-granting school that enrolls at least 66⅔ percent of its students from economically disadvantaged backgrounds AND has a program completion rate of 70.0 percent or more, it may be able to file an exceptional mitigating circumstances appeal based on its **economically disadvantaged and completion rates**.[3]

Please refer to the "Economically Disadvantaged and Completion Rate Appeal" section beginning on page 201 for more information on submitting an exceptional mitigating circumstance appeal based on economically disadvantaged and completion rates.

- If at least two of a school's three most recent official cohort default rates are average cohort default rates, and at least two of the rates would be equal to or less than 24.9 percent if only one year of data was used to calculate the rate, the school will qualify under the **average cohort default rate** exceptional mitigating circumstances criteria.

Q. What is an average cohort default rate?

A. An average cohort default rate is the cohort default rate that the Department calculates for a school with 29 or fewer borrowers entering repayment in a given fiscal year.

Average Cohort Default Rate Example

Cohort Period	Actual Numerator Count	Actual Denominator Count	Official Average Cohort Default Rate Based on Three Years of Data	Non-Average Cohort Default Rate Based on One Year of Data
FY 1997	0	0	100.0%	0.0%
FY 1996	0	0	100.0%	0.0%
FY 1995*	1	1	100.0%	100.0%

* Assume that the school has zero borrowers entering repayment and defaulting during the FY 1994 and FY 1993 cohort periods.

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[3] HEA § 435(a)(4)(A)(i) and (ii)

Note The U.S. Department of Education (Department) will automatically determine if a school meets the criteria associated with an average cohort default rate exceptional mitigating circumstances appeal prior to the release of the official cohort default rates. Schools that meet this criteria will not be subject to initial or extended loss of eligibility to participate in the FFEL Program and/or Direct Loan Program and Federal Pell Grant Program.

◆ If a school has a total of 30 or fewer borrowers entering repayment in its three most recent official cohort default rates, the school will qualify under the **low number of borrowers** exceptional mitigating circumstances criteria.

Low Number of Borrowers Example

Cohort Period	Actual Numerator Count	Actual Denominator Count
FY 1997	2	7
FY 1996	4	15
FY 1995	2	5
Total number of borrowers entering repayment		27

Note The Department will automatically determine if a school has a total of 30 or fewer borrowers entering repayment in its three most recent cohort default rates prior to the release of the official cohort default rates. Schools that meet this criteria will not be subject to initial or extended loss of eligibility to participate in the FFEL Program and/or Direct Loan Program and Federal Pell Grant Program.

What are the benefits associated with a successful exceptional mitigating circumstances appeal?

If the Department determines that a school qualifies under the following exceptional mitigating circumstances criteria:

- economically disadvantaged and placement rates;

OR

- economically disadvantaged and completion rates,

the Department will withdraw its notification of:

- initial loss of eligibility to participate in the FFEL Program and/or Direct Loan Program and Federal Pell Grant Program;
- extended loss of eligibility to participate in the FFEL Program and/or Direct Loan Program and Federal Pell Grant Program;

AND/OR

- limitation, suspension, or termination of all Title IV Student Financial Assistance Programs.

If the Department determines that a school qualifies under the following exceptional mitigating circumstances criteria:

- participation rate index;
- average cohort default rate;

AND/OR

- low number of borrowers,

the Department will withdraw its notification of:

- initial loss of eligibility to participate in the FFEL Program and/or Direct Loan Program and Federal Pell Grant Program;

OR

- extended loss of eligibility to participate in the FFEL Program and/or Direct Loan Program and Federal Pell Grant Program.

What role does a guaranty agency or Direct Loan servicer have in a school's exceptional mitigating circumstances appeal?

None. Neither a guaranty agency nor the Direct Loan servicer has a role in a school's exceptional mitigating circumstances appeal. Exceptional mitigating circumstances appeals are submitted directly to the Department for review and consideration.

What role does the Department have in a school's exceptional mitigating circumstances appeal?

The Department is responsible for determining whether schools meet the established exceptional mitigating circumstances criteria.

- If the Department determines that a school meets the exceptional mitigating circumstances criteria, the Department will withdraw its notification that the school is subject to loss of participation in certain student financial assistance programs.
- If the Department determines that a school does not meet the exceptional mitigating circumstances criteria, and the school does not have any other cohort default rate appeals pending before the Department, the Department will notify the school of the effective date of its loss of eligibility to participate in the relevant student financial assistance programs.

In addition, the school will be liable for the amount of interest and special allowance, reinsurance, and other related or similar payments the Secretary is (or could be) obligated to pay as a result of any FFEL Program and Direct Loan Program loans certified/delivered and originated/disbursed beginning 30 calendar days after the school received notification of its cohort default rate until it withdraws the cohort default rate appeal or receives notification that the cohort default rate appeal was unsuccessful.

Are exceptional mitigating circumstances appeals based on a specific period of time?

Yes, if a school chooses to submit an exceptional mitigating circumstance appeal based on its:

- participation rate index;
- economically disadvantaged and placement rates;

  OR

- economically disadvantaged and completion rates,

the school must base the appeal on "a 12-month period that has ended during the six months immediately preceding the fiscal year for which the cohort of students used to calculate the institution's rate is determined."[4]

Please refer to the next three pages for a description of acceptable 12-month periods.

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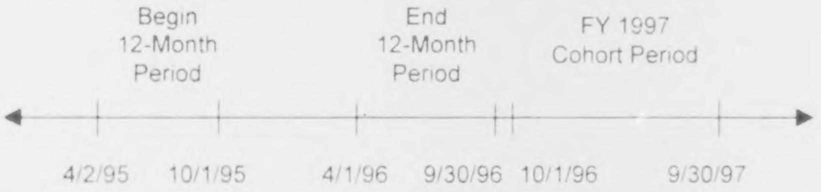
[4] HEA § 435(a)(4)(A)(i) and 435(a)(6)(A)

Schools' FY 1997 economically disadvantaged and placement rate appeals, FY 1997 economically disadvantaged and completion rate appeals, and FY 1997 participation rate index appeals must be based on a 12-month period that ends within the six-month period that precedes FY 1997. Since the FY 1997 cohort begins on October 1, 1996, the six-month period preceding FY 1997 is from April 1, 1996 through September 30, 1996. **As a result, the school's 12-month period must end no earlier than April 1, 1996 and no later than September 30, 1996. Therefore, the 12-month period must begin no earlier than April 2, 1995 and no later than October 1, 1995.**

FY 1997 Cohort Default Rate 12-Month Period

A school should use the following time line to assist it in determining an acceptable 12-month period associated with FY 1997.



Note All 12-month periods associated with the FY 1997 cohort period must begin no earlier than April 2, 1995 and no later than October 1, 1995 and must end no earlier than April 1, 1996 and no later than September 30, 1996.

For example:

Acceptable:	April **2**, 1995 to April **1**, 1996
Not Acceptable:	April **1**, 1995 to March **31**, 1996
Acceptable:	October **1**, 1995 to September **30**, 1996
Not Acceptable:	October **2**, 1995 to October **1**, 1996

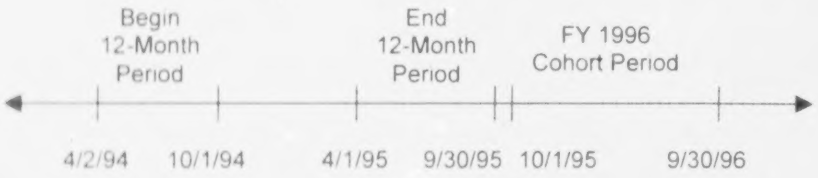
Note Economically disadvantaged and placement rate appeals and economically disadvantaged and completion rate appeals must be based on a 12-month period associated with the school's most recent official cohort default rate (in this case FY 1997).

A school that chooses to submit an exceptional mitigating circumstance appeal based on its participation rate index may choose to base its participation rate index on any of its three most recent official cohort default rates.

Therefore, a school that chooses to submit a participation rate index appeal based on its **FY 1996 official cohort default rate** must select a 12-month period that has a start date that ends within the six-month period that precedes FY 1996. Since the FY 1996 cohort begins on October 1, 1995, the six-month period preceding FY 1996 is from April 1, 1995 through September 30, 1995. **As a result, the school's 12-month period must end no earlier than April 1, 1995 and no later than September 30, 1995. Therefore, the 12-month period must begin no earlier than April 2, 1994 and no later than October 1, 1994.**

FY 1996 Cohort Default Rate 12-Month Period

A school should use the following time line to assist it in determining an acceptable 12-month period associated with FY 1996.



Note All 12-month periods associated with the FY 1996 cohort period must begin no earlier than April 2, 1994 and no later than October 1, 1994 and must end no earlier than April 1, 1995 and no later than September 30, 1995.

For example:

Acceptable: July 1, 1994 to June 30, 1995

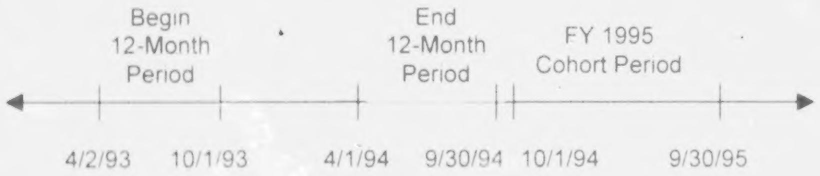
Not Acceptable: June 30, 1994 to July 1, 1995

Note June 30, 1994 to July 1, 1995 is not acceptable because it represents more than a 12-month period. An acceptable 12 month period would be June 30, 1994 through June 29, 1995.

If a school chooses to submit a participation rate index appeal based on its FY 1995 official cohort default rate, it must select a 12-month period that has a start date that ends within the six-month period that precedes FY 1995. Since the FY 1995 cohort begins on October 1, 1994, the six-month period preceding FY 1995 is from April 1, 1994 through September 30, 1994. **As a result, the school's 12-month period must end no earlier than April 1, 1994 and no later than September 30, 1994. Therefore, the 12-month period must begin no earlier than April 2, 1993 and no later than October 1, 1993.**

FY 1995 Cohort Default Rate 12-Month Period

A school should use the following time line to assist it in determining an acceptable 12-month period associated with FY 1995.



Note All 12-month periods associated with the FY 1995 cohort period must begin no earlier than April 2, 1993 and no later than October 1, 1993 and must end no earlier than April 1, 1994 and no later than September 30, 1994.

For example:

Acceptable:	June **20**, 1993 to June **19**, 1994
Not Acceptable:	June **19**, 1993 to June **19**, 1994

Note June 19, 1993 through June 19, 1994 is unacceptable because it represents more than a 12-month period. An acceptable 12-month period would be June 19, 1993 through June 18, 1994.

What happens if a school selects an unacceptable 12-month period?

If a school selects an unacceptable 12-month period, the Department will not review any portion of the school's data and the appeal will be denied.

To discuss whether the school has selected an acceptable 12-month period, contact the Department's Default Management Division at 202-708-9396 or at OSFA_IPOS_ Default_ Management_Division@ed.gov.

Participation Rate Index Appeal

QUALIFYING

What is a participation rate index?

A participation rate index is the percentage of a school's students that obtain Federal Family Education Loan (FFEL) Program and/or William D. Ford Federal Direct Loan (Direct Loan) Program loans multiplied by the school's cohort default rate.

Please refer to page 154 for a more in-depth discussion on how to calculate a participation rate index.

Which schools are eligible to submit a participation rate index appeal?

Only a school that can demonstrate that it has a participation rate index equal to or less than 0.0375 for any of the three most recent fiscal years for which data is available AND is subject to the following sanctions as a result of the school's official cohort default rates may submit an exceptional mitigating circumstances appeal based upon its participation rate index:

- **initial loss** of FFEL Program and/or Direct Loan Program and Federal Pell Grant Program eligibility;

  OR

- **extended loss** of FFEL Program and/or Direct Loan Program and Federal Pell Grant Program eligibility.

Note A participation rate index appeal does NOT alleviate the consequences associated with a rate that exceeds the limitation, suspension, and/or termination (LS&T) threshold (i.e., 40.1 percent or greater). However, if a school is subject to initial or extended loss of eligibility to participate in the FFEL Program and/or Direct Loan Program and Federal Pell Grant Program AND LS&T of all Title IV Student Financial Assistance Programs, the school may submit a participation rate index appeal to alleviate the initial or extended loss of loan and grant program eligibility.

Q. If a school is ONLY subject to LS&T (not initial or extended loss of loan and Federal Pell Grant Program eligibility), can it submit a participation rate index appeal?

A. No, only those schools subject to initial or extended loss of loan and Federal Pell Grant program eligibility can submit a participation rate index appeal

This checklist summarizes the eligibility criteria for a participation rate index appeal. A school should review the checklist to determine if it can appeal on the basis of its participation rate index.

Participation Rate Index Appeal Eligibility Checklist

To be eligible to submit a participation rate index appeal, a school must meet ALL of the following criteria:

☐ The school is subject to initial or extended loss of eligibility to participate in the FFEL Program and/or Direct Loan Program and Federal Pell Grant Program.

☐ The school's participation rate index is equal to or less than 0.0375 for any of the three most recent cohort periods (in this case FY 1997, FY 1996, and FY 1995).

Which cohort default rate can be used to determine a participation rate index?

A school may choose to base its participation rate index on any of the three most recent official cohort default rates (in this case FY 1997, FY 1996, or FY 1995).

How can a participation rate index appeal affect a school's loss of eligibility to participate in the FFEL Program and/or Direct Loan Program and Federal Pell Grant Program?

If the Department determines that a school has a participation rate index of 0.0375 or less for any of the school's three most recent official cohort default rates, the Department will withdraw its notification of loss or extension of loss of the school's eligibility to participate in the FFEL Program and/or Direct Loan Program and Federal Pell Grant Program.[1]

Because a school can submit a participation rate index appeal for any of its three most recent official cohort default rates, a school that has submitted a successful participation rate index appeal for either of its two previous official cohort default rates (in this case FY 1995 and/or FY 1996) will not be subject to initial or extended loss of FFEL Program and/or Direct Loan Program and Federal Pell Grant Program eligibility. The Department will automatically identify any school that has submitted a successful participation rate index appeal for either of the two previous cohort periods. These schools will NOT be notified that the school is subject to loss of eligibility to participate in the FFEL Program and/or Direct Loan Program and Federal Pell Grant Program even if the schools' three most recent official cohort default rates are equal to or greater than 25.0 percent.

Note A successful exceptional mitigating circumstances appeal does NOT change a school's official cohort default rate.

---

[1] 34 CFR § 668.17(c)(5)

How does a school calculate its participation rate index?

The **participation rate index** is calculated as follows:

$$\boxed{\text{the school's official cohort default rate}} \times \frac{\boxed{\text{number of regular borrowers included in the denominator who received an FFEL Program loan or Direct Loan Program loan for a loan period that overlaps the selected 12-month period by at least one day}}}{\boxed{\text{number of regular students enrolled on at least a half-time basis during any part of the selected 12-month period}}}$$

Note Information on how to select an acceptable 12-month period is provided beginning on page 146 in the "Exceptional Mitigating Circumstances Appeal" section.

To succeed on a participation rate index appeal, the school must have a participation rate index of 0.0375 or less.

Example: Technical School's FY 1997 official cohort default rate is 25.0 percent. Technical School had a total of 200 regular students enrolled on at least a half-time basis during the selected 12-month period. Of those 200 students, 14 borrowers received an FFEL Program loan for a loan period that overlaps the selected 12-month period by at least one day and 12 different borrowers received a Direct Loan Program loan for a loan period that overlapped the selected 12-month period by at least one day. Technical School's participation rate index is calculated as follows:

$$\boxed{0.250} \times \frac{\boxed{14\ (\text{FFEL}) + 12\ (\text{DL}) = 26}}{\boxed{200}} = \boxed{0.0325}$$

Which students are included in the denominator of the participation rate index?

To be included in the denominator of the participation rate index, a student must have been—[2]

- a "regular student" (i.e., a student that enrolled, or was accepted for enrollment, at an institution for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that institution);
- enrolled on at least a half time basis;

  AND

- enrolled for at least one day in the 12-month period selected by the school.

Note A student's entire enrollment period does NOT have to fall within the selected 12-month period. A student that enrolled **prior** to the 12-month period but completed/withdrew from the program of study **during** the 12-month period is considered to have been enrolled during the 12-month period. In addition, a student that enrolled **during** the 12-month period but completed/withdrew from the program of study **after** the 12-month period is considered to have been enrolled during the 12-month period. Finally, a student that enrolled **prior** to the 12-month period and continued to be enrolled until **after** the 12-month period is considered to have been enrolled during the 12-month period.

Q. If a student has a break in enrollment and leaves school, then returns and begins a new enrollment period, all during the selected 12-month period, which enrollment dates should the school use?

A. A school should list both enrollment periods. However, the student will only be counted once in the participation rate index calculation.

Which borrowers are included in the numerator of the participation rate index?

To be included in the numerator of the participation rate index, the borrower must first be included in the denominator of the rate. If a borrower is included in the denominator of the participation rate index calculation and meets the following conditions, the borrower will also be included in the numerator of the calculation:[3]

---

[2] HEA § 435(a)(6)(A)

[3] Id.

Q. If a borrower has more than one loan with a loan period that falls during the selected 12-month period, which loan data should a school use?

A. A school should list both loans. However, the borrower will only be counted once in the participation rate index calculation.

- the borrower received an FFEL Program and/or Direct Loan Program loan;

AND

- the FFEL Program and/or Direct Loan Program loan period overlaps the 12-month period selected by the school by at least one day.

Note If any part of the loan period falls within the 12-month period, the student must be identified and counted as having received a loan.

TIMING AND SUBMITTING

How does a school prepare and submit a participation rate index appeal?

Timing is critical when submitting a participation rate index appeal.

Time frames may overlap. Read ALL steps.

Step 1: Within **30 calendar days** of receiving official notification that the school is subject to initial or extended loss of eligibility to participate in the FFEL Program and/or Direct Loan Program and Federal Pell Grant Program, a school must **review the school's official cohort default rate notification letter and this Guide to determine if the school is eligible** to submit a participation rate index appeal.

Please refer to page 151 for a detailed discussion regarding which schools are eligible to appeal based on the participation rate index.

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Step 2: Also if a school is eligible to submit a participation rate index appeal, **within the time frame described in Step 1** (i.e., within 30 calendar days of receiving official notification that the school is subject to initial or extended loss of eligibility to participate in the FFEL Program and/or Direct Loan Program and Federal Pell Grant Program), a school must **identify data to support the school's participation rate index.**

Compile a spreadsheet to count and list the students who will be included in the school's participation rate index by using the sample **Participation Rate Index Appeal** spreadsheet on page 165.

Provide the following information on the spreadsheet:

- the school's name and OPE ID Number;
- the beginning and ending dates for the 12-month period on which the school is basing its participation rate index;

  For information on selecting an acceptable 12-month period, please refer to page 146 in the "Exceptional Mitigating Circumstances Appeal" section.
- the Social Security numbers, in numerical order, of all the regular students enrolled on at least a half-time basis during any part of the selected 12-month period;

Note These are the students that will be included in the denominator of the participation rate index.

- for each Social Security number, list the student's name;
- for each student, provide beginning and ending **enrollment dates** [For all enrollment dates, include the month, day and year (MM/DD/CCYY)];

Q. What is a regular student?

A. A regular student is defined as a person who is enrolled, or accepted for enrollment, at an institution for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that institution as defined in 34 CFR § 600.2.

Note No student is counted more than once in the calculation, even if the student re-enrolled.

- if the student received an FFEL Program loan and/or a Direct Loan Program loan during the selected 12-month period, enter the type of loan received (if not, do not make an entry);
- for each borrower with an FFEL Program loan and/or a Direct Loan Program loan, provide the beginning and ending dates of the **loan period**.

Note Borrowers listed with loan periods that overlap the 12-month period selected by the school by at least one day are the borrowers that will be included in the numerator of the participation rate index.

Step 3: Also **within the time frame described in Step 1** (i.e., within 30 calendar days of receiving official notification that the school is subject to initial or extended loss of eligibility to participate in the FFEL Program and/or Direct Loan Program and Federal Pell Grant Program), a school must **calculate its participation rate index.**

- From the official notification letter, identify the school's relevant official cohort default rate.
- From the **Participation Rate Index Appeal** spreadsheet, count the number of borrowers that received an FFEL Program and/or Direct Loan Program loan during the selected 12-month period and whose loan periods overlap the 12-month period by at least one day. **These are the borrowers who will be included in the numerator of the participation rate index.**
- From the **Participation Rate Index Appeal** spreadsheet, count the total number of students listed on the spreadsheet. **These are the students who will be included in the denominator of the participation rate index.**

- Divide the number of borrowers who received an FFEL Program and/or Direct Loan Program loan during the selected 12-month period and whose loan periods overlap the 12-month period by at least one day by the number of students listed on the spreadsheet and multiply the result by the official cohort default rate identified by the school. **This is the school's participation rate index**.

Note For a successful appeal, the school's participation rate index must be 0.0375 or less.

Step 4: Also **within the time frame described in Step 1** (i.e., within 30 calendar days of receiving official notification that the school is subject to initial or extended loss of eligibility to participate in the FFEL Program and/or Direct Loan Program and Federal Pell Grant Program), the school must submit the following to the Department at the address provided on page 161;

Due date for submitting the appeal to the Department.

- a cover letter using the sample **Participation Rate Index Appeal** cover letter on page 163;

AND

- information about the students who are included in the participation rate index using the **Participation Rate Index Appeal** spreadsheet created in Step 2.

Note Schools are **not** required to submit an independent auditor's attestation to support the school's participation rate index appeal.

The Department recommends that the school submit the participation rate index appeal in a single, tabbed binder. The recommended tabs and materials are shown on the next page.

The following material should be sent to the Department's Default Management Division at the address shown on page 161.

Tab 1

The section behind Tab 1 contains:

A **letter** on the school's letterhead with—

◆ the school's OPE ID number;

◆ a statement indicating that the school is submitting a participation rate index appeal;

◆ the cohort default rate on which the appeal is based;

◆ a certification sentence that indicates that the information provided in the appeal, under penalty of perjury, is true and correct;

AND

◆ the signature of the school's President/CEO/Owner, followed by a signature block providing the signer's name and job title.

Schools should refer to the sample **Participation Rate Index Appeal** cover letter on page 163.

Tab 2

The section behind Tab 2 contains:

A **spreadsheet** of the school's students included in the participation rate index.

Schools should refer to the sample **Participation Rate Index Appeal** spreadsheet on page 165 and detailed instructions on how to create the spreadsheet on page 164.

Note The Department will not consider information submitted after the 30 calendar day deadline. The Department will send the school written notification of its decision. **The Department's decision is final and no further administrative review is provided.**

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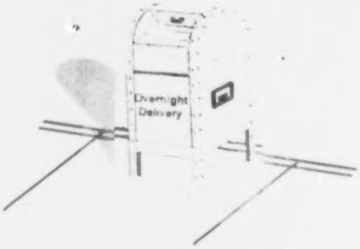
If sent by commercial overnight mail/courier delivery, send the school's participation rate index appeal to:

U.S. Department of Education
Default Management Division
ATTN: Participation Rate Index Appeal
ROB-3, Room 3905
7th and D Streets, SW
Washington, DC 20407



If sent by U.S. Postal Service, send the school's participation rate index appeal to:

U.S. Postal Service

U.S. Department of Education
Default Management Division
ATTN: Participation Rate Index Appeal
Portals Building, Room 6300
400 Maryland Avenue, SW
Washington, DC 20202-5353

Note The Department will not accept any appeal correspondence by facsimile (fax) or e-mail.

The Department recommends that a school send all appeal correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its appeal. A school should maintain the documentation which verifies the receipt of the appeal related material. In addition, a school should retain copies of all documentation submitted as a part of the appeal process.

Sample **Participation Rate Index Appeal** Cover Letter

Technical School
1212 Wedgewood Lane
Leonardtown, Wisconsin 12345-6789
(123) 456-7890

Sample Letter

OPE ID#: 000000

October 15, 1999

U.S. Department of Education
Default Management Division
Attn: Participation Rate Index Appeal
Portals Building, Room 6300
400 Maryland Avenue, SW
Washington, DC 20202-5353

Subject: FY 1997 Participation Rate Index Appeal

Dear Default Management Division:

Technical School, **OPE ID#** 000000, is submitting its FY 1997 participation rate index appeal.

I, the undersigned, certify under penalty of perjury, that our participation rate index is 0.0325, and that all other information submitted in support of this exceptional mitigating circumstances appeal is true and correct.

Please see the enclosed spreadsheet.

Thank you for your consideration.

Sincerely,

Robert Young

Robert Young,
President

Enclosure

Instructions for **Participation Rate Index Appeal** spreadsheet

Count and list the students who will be included in the calculation of the school's participation rate index using a spreadsheet software application such as Excel, Lotus 1-2-3, or Supercalc. The final printed spreadsheet must be sent to the Department.

The spreadsheet should be on 8 ½" x 11" paper in a landscape (horizontal) layout. A sample spreadsheet follows these instructions.

Header:	Enter **FY *[Year]* Participation Rate Index Appeal** in the center of the header area. In the left-hand area, enter the school's name, the school's OPE ID number, the school's applicable cohort default rate, and the school's selected 12-month period.
Footer:	Enter the date the challenge was prepared in the left side of the footer area. Set up automatic pagination in the right side of the footer area so that the specific page number and the total number of pages show on each page, for example: Page 1 of 10.
Sort:	The students listed on the spreadsheet should be sorted by the student's Social Security number.

On Rows 1, 2, 3, and 4, use the draw tool to draw a rectangle covering lines A1 to E4. Using the text-box tool, draw another box for Box A information. In this box, enter the school's applicable cohort default rate, the number of students who received FFEL/DL loans (listed in Column 4), the number of regular students (listed in Column 1), and the school's participation rate index.

On Row 5, enter exactly the same column names in exactly the same order as listed on the sample spreadsheet.

On Row 6 and below, include the following data for each student who will be included in calculating the school's participation rate index.

Column 1:	Enter the student's Social Security number (SSN) using hyphens to separate the numbers (for example, 000-00-0000) for all of the regular students enrolled on **at least a half-time basis** during any part of the selected 12-month period. (No student will be counted more than once in the calculation.) Sort by numerical order when ready to print the spreadsheet.
Column 2:	Enter the student's name.
Column 3:	Enter MM/DD/CCYY (month, day, year) to identify the student's beginning enrollment date and ending enrollment date.
Column 4:	Enter FFEL or DL if the student received an FFEL Program loan (FFEL) or a Direct Loan Program loan (DL) for a loan period that coincides with any part of the selected 12-month period. Leave blank if the student did not receive a loan or the loan period does not coincide with the 12-month period.

Note **If any part of the loan period falls within the selected 12-month period, the borrower must be identified and counted as having received a loan during the selected period.**

Column 5:	If a loan was received, enter MM/DD/CCYY to identify the beginning date and ending date of the loan period. If Column 4 is not filled out, leave this column blank.

Note **If the borrower has more than one loan, list the loan periods associated with each loan. However, the borrower is only counted once in the calculation.**

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Sample Participation Rate Index Appeal Spreadsheet

School Name: Technical School
OPE ID Number: 000000
Cohort Default Rate: FY 1997 CDR = 25.0%
12-Month Period: 4/2/1995–4/1/1996

FY 1997 Participation Rate Index Appeal

Box A

Applicable Cohort Default Rate	25.0%
No. of Borrowers Receiving FFEL/DL loans (reported in column 4)	26
No. of Regular Students (listed in column 1)	200
Participation Rate Index	0.0325

1. Student's SSN	**2. Student's Name**	**3. Student's enrollment dates** (from MM/DD/CCYY to MM/DD/CCYY)	**4. If borrower received an FFEL Program loan (FFEL) and/or Direct Loan Program loan (DL) any part of the 12-month during period, enter the type of loan received (FFEL or DL)**	**5. Beginning dates and ending dates of loan periods for FFEL or Direct Loan loans, if received** (from MM/DD/CCYY to MM/DD/CCYY)
111-11-1111	Jane Smith	3/15/1995-3/10/1996	FFEL	9/30/1995-3/10/1996
222-22-2222	John Doe	6/16/1995-10/3/1996		

10/15/1999

[send to U.S. Department of Education's Default Management Division at the address located on page 161.]

Page 1 of 1

Economically Disadvantaged and Placement Rate Appeal

QUALIFYING

What is an economically disadvantaged rate?

An economically disadvantaged rate is the percentage of the students enrolled in a school's Title IV eligible programs who are eligible to receive at least half the maximum Federal Pell Grant award or who have an adjusted gross income below the poverty level.[1]

Please refer to page 171 for a more in depth discussion of how to calculate an economically disadvantaged rate.

What is a placement rate?

A placement rate is the percentage of a school's former regular students enrolled in the school's Title IV eligible programs that are employed in an occupation for which the institution provided training, as defined in the Higher Education Amendments of 1965, as amended (HEA), § 435(a)(4)(A)(iii).

Please refer to page 175 for a more in depth discussion of how to calculate a placement rate.

---

[1] HEA § 435(a)(4)(A)(i)

Which schools are eligible to submit an economically disadvantaged and placement rate appeal?

To file an exceptional mitigating circumstances appeal based on its **economically disadvantaged and placement rates**, a school must[2]:

- be **subject to sanctions**;
- be a **non-degree-granting** school;
- demonstrate that at least 66 ⅔ percent of its students came from **economically disadvantaged backgrounds** as defined in HEA § 435(a)(4)(A)(i);

  AND

- demonstrate that at least 44.0 percent of its former regular students **obtained employment in the occupations for which the school provided training** as defined in HEA § 435(a)(4)(A)(iii).

The checklist on the next page summarizes the eligibility criteria for an economically disadvantaged and placement rate appeal.

Q. What if the school is not sure whether it is classified as a degree-granting or non-degree-granting school?

A. A school should refer to its Eligibility and Certification Approval Report generated by the Department's Case Management Division

If additional assistance is needed in making this determination, please contact the Case Management Division at 202-205-0183.

Q. What is a regular student?

A. A regular student is defined as a person who is enrolled, or accepted for enrollment, at an institution for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that institution as defined in 34 CFR § 600.2.

---

[2] HEA § 435(a)(4)(A)

Economically Disadvantaged and Placement Rate Appeal Eligibility Checklist

To be eligible to submit an economically disadvantaged and placement rate appeal, a school must meet ALL of the following criteria:

- ☐ The school is subject to one or more of the following sanctions:
    - initial loss of eligibility to participate in the FFEL Program and/or Direct Loan Program and Federal Pell Grant Program;
    - extended loss of eligibility to participate in the FFEL Program and/or Direct Loan Program and Federal Pell Grant Program;

      AND/OR
    - possible action to limit, suspend, and/or terminate (LS&T) participation in one or more Title IV Student Financial Assistance Programs.
- ☐ The school is a **non-degree granting** school that:
    - enrolls at least 66⅔ percent of its students from economically disadvantaged backgrounds as defined in HEA § 435(a)(4)(A)(i);

      AND
    - can demonstrate that at least 44.0 percent of its students were placed as defined in HEA § 435(a)(4)(A)(iii).

An economically disadvantaged and placement rate must be based on which cohort period?

A school must base its economically disadvantaged and placement rate on its most recent cohort period (in this case FY 1997).[3] The 12-month period on which the school's appeal is based must end within the six months preceding FY 1997.

Please refer to page 146 for more information on selecting an acceptable 12-month period.

How can an economically disadvantaged and placement rate appeal affect a school's loss of eligibility to participate in Title IV Student Financial Assistance Programs?

If a non-degree granting school submits a successful economically disadvantaged and placement rate appeal, the Department will withdraw its notification of loss or extension of loss of the school's eligibility to participate in the FFEL Program and/or Direct Loan Program and Federal Pell Grant Program.[4] In addition, the Department will NOT initiate an action to limit, suspend, or terminate the school's participation in any or all of the Title IV Student Financial Assistance Programs due to the school's official cohort default rate.[5]

Note

A successful exceptional mitigating circumstances appeal does NOT change a school's official cohort default rate. Therefore, if a school submits a successful economically disadvantaged and placement rate appeal, the Department will only withdraw its notification that the school is subject to loss for one year. If the school's subsequent cohort default rate is once again equal to or greater than 25.0 percent, the school will be notified that it is once again subject to loss of FFEL Program and/or Direct Loan Program and Federal Pell Grant Program eligibility. The school may then choose to submit another economically disadvantaged and placement rate appeal based on the most recent cohort period.

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[3] HEA § 435(a)(4)(A)

[4] 34 CFR § 668.17(c)(5)

[5] 34 CFR § 668.17(a)(5)

How is the economically disadvantaged rate calculated?

The **economically disadvantaged rate**[6] is calculated as follows:

$$100 \times \frac{\text{number of regular students enrolled on at least a half-time basis in a Title IV eligible program during the selected 12-month period who were eligible to receive at least one-half the maximum Federal Pell Grant award or who had an adjusted gross income less than the U.S. Department of Health and Human Services poverty level during an award year/calendar year that overlaps the selected 12-month period}}{\text{number of regular students enrolled on at least a half-time basis in a Title IV eligible program during a selected 12-month period}}$$

Note A school must select a 12-month period that ends during the six months immediately preceding FY 1997. Information on how to select an acceptable 12-month period is provided on page 146 in the "Exceptional Mitigating Circumstances Appeals" section.

As a part of a successful exceptional mitigating circumstances appeal, a school must have an economically disadvantaged rate of at least 66 ⅔ percent.

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[6] HEA § 435(a)(4)(A)(i)

Example: Technical School had a total of 200 students enrolled on at least a half-time basis in a Title IV eligible program during an acceptable 12-month period. Of those 200 students, 80 students received at least one-half the maximum Federal Pell Grant award and 60 different students had an adjusted gross income less than the U.S. Department of Health and Human Services poverty level during an award year/calendar year that overlaps the selected 12-month period by at least one day. Technical School's economically disadvantaged rate is calculated as follows:

$$\boxed{100} \times \frac{\boxed{80 \text{ (Pell)} + 60 \text{ (AGI)} = 140}}{\boxed{200}} = \boxed{70.0\%}$$

Which students are included in the denominator of the economically disadvantaged rate calculation?

To be included in the denominator of the economically disadvantaged rate, a student must have been—

- enrolled in a Title IV eligible program;

AND

- enrolled on at least a half-time basis for one or more days during the selected 12-month period.[7]

Note A student's entire enrollment period does not have to fall within the selected 12-month period. A student who enrolled **prior** to the 12-month period but completed/withdrew **during** the 12-month period is considered to have been enrolled during the 12-month period. In addition, a student who enrolled **during** the 12-month period but completed/withdrew **after** the 12-month period is considered to have been enrolled during the 12-month period. Finally, a student that enrolled **prior** to the 12-month period and continued to be enrolled until **after** the 12-month period is considered to have been enrolled during the 12-month period.

---

[7] HEA 435(a)(4)(A)(i)

Which students are included in the numerator of the economically disadvantaged rate?

To be included in the numerator of the economically disadvantaged rate, the student must first be included in the denominator of the rate. If a student is included in the denominator of the economically disadvantaged rate and meets either of the following conditions, the student will be included in the numerator of the economically disadvantaged rate:

- the student has an expected family contribution (EFC) of 1200 or less for an award year that overlaps the 12-month period selected by the school;[8]

Note A student with an EFC of 1200 or less is considered to be eligible to receive at least one-half of the maximum Federal Pell Grant award.

OR

- the student has an adjusted gross income and family size that is below the U.S. Department of Health and Human Services poverty level for a calendar year that overlaps with the 12-month period selected by the school.[9]

Please refer to page 190 for the poverty level guidelines established by the U.S. Department of Health and Human Services.

Note In order for a student to be included in the numerator of the economically disadvantaged rate, the student's applicable expected family contribution or adjusted gross income must be associated with an award/calendar year that overlaps the 12-month period chosen by the school.

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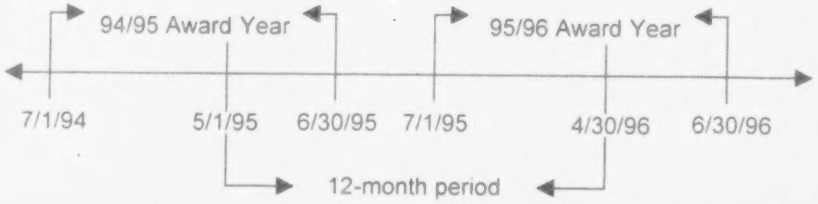
[8] HEA 435(a)(4)(A)(i)(I)
[9] HEA 435(a)(4)(A)(i)(II)

How does a school determine if an award year overlaps the selected 12-month period?

An award year begins on July 1 of one year and ends on June 30 of the next year. An award year overlaps a 12-month period if any portion of the award year overlaps any portion of the 12-month period.

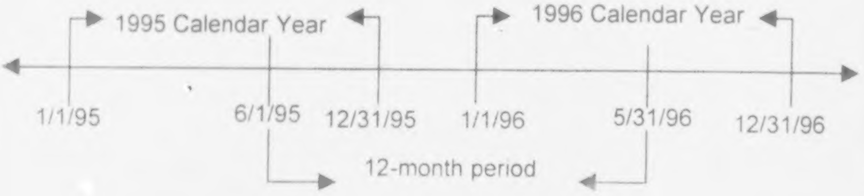
Example: Cosmetology School selected May 1, 1995, through April 30, 1996, as its 12-month period. The 1994/95 and 1995/96 award years overlap the selected 12-month period. Therefore, Cosmetology School can use estimated family contributions associated with both award years to determine if students are economically disadvantaged.


94/95 Award Year
95/96 Award Year
7/1/94
5/1/95
6/30/95
7/1/95
4/30/96
6/30/96
12-month period

How does a school determine if a calendar year overlaps the selected 12-month period?

A calendar year overlaps a 12-month period if any portion of the calendar year overlaps any portion of the 12-month period.

Example: Truck Driving School selected June 1, 1995, through May 31, 1996, as its 12-month period. The 1995 and 1996 calendar years overlap the selected 12-month period. Therefore, Truck Driving School can use adjusted gross incomes associated with both calendar years to determine if students are economically disadvantaged.


1995 Calendar Year
1996 Calendar Year
1/1/95
6/1/95
12/31/95
1/1/96
5/31/96
12/31/96
12-month period

How is the placement rate calculated?

The **placement rate**[10] is calculated as follows:

number of former regular students included in the denominator of the placement rate calculation who were *either*:

- employed, other than by the school, in an occupation for which the school provided training on the day following one year after their last day of attendance at the school;
- employed, other than by the school, in an occupation for which the school provided training for at least 13 weeks before the day following one year after their last day of attendance;

AND/OR

- entered active duty in the U.S. Armed Forces within a year of leaving the school.

100 **X**

---

number of former regular students initially enrolled on at least a half-time basis in a Title IV eligible program who were originally scheduled to complete their programs during the same 12-month period selected for the economically disadvantaged rate, and who were enrolled beyond the point at which they would have received a 100 percent refund.

Note **A school must select a 12-month period that ends during the six months immediately preceding FY 1997. Information on how to select an acceptable 12-month period is provided on page 146 in the "Exceptional Mitigating Circumstances Appeal" section.**

As part of a successful exceptional mitigating circumstances appeal, a school must have a placement rate of at least 44.0 percent.

---

[10] HEA § 435(a)(4)(A)(iii)

Example: Technical School had a total of 175 former regular students enrolled on at least a half-time basis in a Title IV eligible program who were originally scheduled to complete their programs during the same 12-month period used to determine the economically disadvantaged rate and who remained enrolled beyond the point that they would have earned a 100 percent refund. Of those 175 students, 60 students were employed, other than by the school, in an occupation for which the school provided training on the day following 12 months after their last day of attendance at the school; 28 different students were employed, other than by the school, in an occupation for which the school provided training for at least 13 weeks before the day following 12 months after their last day of attendance; two different students joined the U.S. Armed Forces within one year of leaving school. Technical School's placement rate is calculated as follows:

$$\boxed{100} \times \frac{\boxed{60 + 28 + 2 = 90}}{\boxed{175}} = \boxed{51.4\%}$$

Which students are included in the denominator of the placement rate calculation?

To be included in the denominator of the placement rate calculation, a former regular student must have been—

- **initially enrolled** on at least a half-time basis;[11]
- enrolled in a **Title IV eligible program**;
- enrolled in the program beyond the point that allows a student to receive a 100 percent tuition refund;[12]

Q. What is a regular student?

A. A regular student is defined as a person who is enrolled, or accepted for enrollment at an institution for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that institution as defined in 34 CFR § 600.2.

---

[11] HEA § 435(a)(4)(A)(iii)(I)(bb)

[12] HEA § 435(a)(4)(A)(iii)(I)(aa)

Note Students that withdraw from their program **are** included in the denominator of the placement rate calculation if they did not withdraw at or before the point they would have received a 100 percent refund.

AND

- **originally scheduled to complete** his/her program of study during the 12-month period used to determine the economically disadvantaged rate.

Note Even though the same 12-month period is used to calculate both the economically disadvantaged and placement rates, the students included in the denominator of each rate will **not** be the exact same group of students. Students who were **enrolled** during the 12-month period and qualify to be included in the denominator of the economically disadvantaged rate may not have been **originally scheduled to complete** their programs during the same 12-month period (i.e. the denominator of the placement rate).

Which students are included in the numerator of the placement rate?

In order to be included in the numerator of the placement rate, the former regular student must first be included in the denominator of the rate. If the former regular student is in the denominator of the placement rate and meets any of the following conditions, the former regular student is included in the numerator of the placement rate:

- the former regular student was employed, other than by the school, in an occupation for which the school provided training on the day following 12 months after the student's last date of attendance;

Example: A former regular student whose last date of attendance was October 21, 1996 and was employed, other than by the school, in an occupation for which the school provided training on October 22, 1997, qualifies to be included in the numerator of the placement rate if the student was included in the denominator of the placement rate.

Note The former regular student's actual last date of attendance does NOT need to fall within the selected 12-month period. Only the student's original scheduled to complete date must fall within the selected 12-month period.

OR

Q. Can a student's employment while the student was still enrolled at the school be considered when determining if the student was employed for 13 weeks?

A. Yes, if the employment is relevant to the training that the student is receiving at the school. However, pre-enrollment employment may not be considered.

- the former regular student was employed, other than by the school, in an occupation for which the school provided training for at least 13 weeks prior to one year after the student left the school;

Example: A former regular student whose last date of attendance was April 15, 1996 and was employed, other than by the school, in an occupation for which the school provided training between April 1, 1996 and November 30, 1996, qualifies to be included in the numerator of the placement rate if the student was included in the denominator of the placement rate.

OR

- the former regular student was employed by the U.S. Armed Forces within one year of the student's last day of attendance.

Note A student **cannot** be counted as successfully placed according to any of these conditions if the school is the employer.[13]

What is an independent auditor's attestation?

A school's economically disadvantaged and placement rate appeal must be reviewed and attested to by an independent auditor.

The report of the independent auditor must state whether, in the auditor's opinion, the school's management's written assertions demonstrated exceptional mitigating circumstances based on the economically disadvantaged and placement rate criteria.

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[13] HEA § 435(a)(4)(A)(iii)(IV)

The report must also indicate if management's written assertions are fairly stated in all material respects. The engagement, which forms the basis of the independent auditor's opinion, must be an examination-level compliance attestation engagement performed in accordance with the American Institute of Certified Public Accountant's (AICPA) Statement on Standards for Attestation Engagements, Compliance Attestation (AICPA, Professional Standards, Volume 1, AT sec. 500), as amended, and Government Auditing Standards issued by the Comptroller General of the United States.

TIMING AND SUBMITTING

How does a school prepare and submit an economically disadvantaged and placement rate appeal?

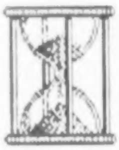
Timing is critical when submitting an economically disadvantaged and placement rate appeal.

Step 1: Within **30 calendar days** of receiving official notification that the school is subject to sanctions, **review the school's official cohort default rate notification letter and this Guide to determine if the school is eligible** to submit an economically disadvantaged and placement rate appeal.

Please refer to page 168 for a detailed discussion regarding which schools are eligible to appeal based on economically disadvantaged and placement rates.

Step 2: If a school is eligible to submit an economically disadvantaged and placement rate appeal, **within the time frame described in Step 1** (i.e., within 30 calendar days of receiving notice that the school is subject to sanctions), **submit a letter to the Department** at the address on page 189 that indicates that the school intends to submit an economically disadvantaged and placement rate appeal.

Use the sample **Notice of Intent to File An Economically Disadvantaged and Placement Rate Appeal** cover letter on page 191 or its equivalent.



Time frames may overlap. Read ALL steps.

Step 3: Prior to **60 calendar days** after receiving notice that the school is subject to sanctions, a school **must develop a written assertion for submission to the school's independent auditor that demonstrates that the school's economically disadvantaged rate is at least 66⅔ percent.**

The school's written assertion should be developed using the sample **Economically Disadvantaged Rate** spreadsheet on page 195 or its equivalent and must include the following:

- the school's name and OPE ID Number;
- the 12-month period on which the school is basing its economically disadvantaged rate;

  For information on selecting an acceptable 12-month period, please refer to page 146 in the "Exceptional Mitigating Circumstances Appeal" section.
- the Social Security numbers, in numerical order, of all the school's students enrolled in a Title IV eligible program on at least a half-time basis during any part of the selected 12-month period;

Note These are the students that will be included in the denominator of the economically disadvantaged rate.

- the student's name;
- the beginning and ending **enrollment dates** for each student [include the month, day and year (MM/DD/CCYY)];

Note No student should be counted more than once in the calculation, even if the student re-enrolled.

- an X next to the student's name if the student is from an economically disadvantaged background as defined on page 173;

Note These are the students that will be included in the numerator of the economically disadvantaged rate.

- if the student is from an economically disadvantaged background, either:
  - the student's expected family contribution and applicable award year;

Note The expected family contribution must be 1200 or less for an award year that overlaps the selected 12-month period in order for the student to qualify as economically disadvantaged.

Q. Which award years/calendar years coincide with a selected 12-month period?

A. An award year/calendar year coincides with a 12-month period if the award year/calendar year overlaps the 12-month period by at least one day.

Please refer to page 174 for a more in depth discussion on coinciding award years and calendar years.

OR

  - the student's, and if applicable the student's parents'/spouse's adjusted gross income, family size, and applicable calendar year.

Note The annual gross income and family size must be less than the U.S. Department of Health and Human Services poverty levels for a calendar year that coincides with the selected 12-month period in order for the student to qualify as economically disadvantaged. The U.S. Department of Health and Human Services' poverty levels are shown on page 190.

Step 4: **Within the time frame described in Step 3** (i.e., prior to 60 calendar days after receiving notice that the school is subject to sanctions), a school must **calculate the school's economically disadvantaged rate and include the rate on its written assertion**.

- Count the number of students identified as economically disadvantaged on the spreadsheet. **These are the students that will be included in the numerator of the economically disadvantaged rate.**

- Count the number of students listed on the spreadsheet. **These are the students that will be included in the denominator of the economically disadvantaged rate.**

- Divide the total number of students from economically disadvantaged backgrounds (i.e., the numerator) by the total number of students listed on the spreadsheet (i.e., the denominator) and multiply the result by 100. **This is the school's economically disadvantaged rate**.

Note As part of a successful appeal, the school's economically disadvantaged rate must be at least 66⅔ percent.

Step 5: **Within the time frame described in Step 3** (i.e., prior to 60 calendar days after receiving notice that the school is subject to sanctions), a school must **develop a written assertion for submission to the school's independent auditor that demonstrates that the school's placement rate is at least 44.0 percent**.

The school's written assertion should be developed using the sample **Placement Rate** spreadsheet on page 197 or its equivalent and must include the following:

- the school's name and OPE ID Number;

- an indication that the same 12-month period is being used for the school's placement rate as was used for the school's economically disadvantaged rate;

- the Social Security numbers, in numerical order, of all the school's former regular students who were:
  - **initially enrolled** on at least a half-time basis;
  - enrolled in a Title IV **eligible program**;

Q. What is a regular student?

A. A regular student is defined as a person who is enrolled, or accepted for enrollment in an eligible program at an eligible postsecondary institution for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that institution as defined in 34 CFR § 600.2.

  - enrolled **beyond the point that allows a student to receive a 100 percent tuition refund;**

    AND

  - **originally scheduled to complete** their program of study during the selected 12-month period.

Note These are the students that will be included in the denominator of the placement rate calculation.

Please refer to page 176 for a more in-depth description of the students that should be included in the school's placement rate calculation.

- the former regular student's full name for each Social Security number listed;

- the date that each former regular student **was originally scheduled at the time of enrollment** to complete his or her program of study;

  - If the student was initially enrolled on a **less than full-time** basis, the **original scheduled to complete** date will be based on the amount of time it would take the student to complete the program if he or she remained enrolled at that level of enrollment throughout the program.

  - If the student was initially enrolled on a **full-time** basis, the **scheduled to complete** date will be based on the amount of time normally required by a full-time student to complete the program, as specified in the school's enrollment contract, catalog, or other materials.

- the beginning and ending **enrollment dates** for each former regular student.

- an X next to the former regular student's name if the student was successfully placed;

Note These are the students that will be included in the numerator of the placement rate.

A former regular student is successfully placed if:

- the former regular student was employed, other than by the school, in an occupation for which the school provided training on the day following 12 months after the date of the student's last day of attendance at the school;

OR

- the former regular student was employed, other than by the school, in an occupation for which the school provided training for at least 13 weeks (91 days) before the day following 12 months after the date of the student's last day of attendance at the school.

OR

- the former regular student was employed in the U.S. Armed Forces within a year of leaving the school.

Please refer to page 177 of this section for a more detailed discussion of which students are considered successfully placed.

- for each former regular student successfully placed in an occupation other than the military, the student's program of study (do NOT use abbreviations);
- for each former regular student successfully placed in an occupation, including the military, the **beginning and ending dates** of the employment that qualifies the student as successfully placed;

- for each former regular student successfully placed, the student's **job description** in the employment that qualifies the student as successfully placed (do not use abbreviations), if the student entered active duty in the U.S. Armed Forces, enter "U.S. Armed Forces";
- for each former regular student successfully placed, the **name**, **address**, and **telephone number** of the **employer** with which the student was successfully placed.

Step 6: **Within the time frame described in Step 3** (i.e., prior to 60 calendar days after receiving notice that the school is subject to sanctions), a school must **calculate the school's placement rate and include the rate on its written assertion**.

- Count the number of former regular students successfully placed. **These are the students who will be included in the numerator of the placement rate.**
- Count the number of former regular students listed on the spreadsheet. **These are the students who will be included in the denominator of the placement rate.**
- Divide the total number of former regular students successfully placed (i.e., the numerator) by the total number of former regular students listed on the spreadsheet (i.e. the denominator). **This is the school's placement rate.**

Note As part of a successful appeal, the school's placement rate must be at least 44.0 percent.

Step 7: **Within the time frame described in Step 3** (i.e., prior to 60 calendar days after receiving notice that the school is subject to sanctions), a school must **submit the school's Economically Disadvantaged and Placement Rate written assertions to the school's independent CPA for review.**

- The independent CPA should perform a review and provide a report that states whether, in the auditor's opinion, the school's management's written assertions demonstrated exceptional mitigating circumstances based on the economically disadvantaged and placement rate criteria.
- The auditor's opinion must indicate if management's written assertions are fairly stated in all material respects.
- The engagement which forms the basis of the independent auditor's opinion must be an examination-level compliance attestation engagement performed in accordance with the American Institute of Certified Public Accountant's (AICPA) Statement on Standards for Attestation Engagements, Compliance Attestation (AICPA, Professional Standards, Volume 1, AT sec. 500), as amended, and Government Auditing Standards issued by the Comptroller General of the United States.
- The attestation must be in the form of a letter with—
  - the school's name;
  - the school's OPE ID number;
  - the fiscal year to which the appeal applies;
  - the auditor's opinions on management's assertions;

    AND
  - the independent auditor's signature, followed by a signature block providing the signer's name and title.

An independent Auditor should use the sample **Independent Auditor's Attestation** on page 199.

Step 8: Within **60 calendar days** after receiving notice that the school is subject to sanctions, **a school must submit the following to the Department at the address on page 189:**

- a cover letter using the sample **Economically Disadvantaged and Placement Rate Appeal** cover letter on page 193;
- **a copy of the school's written assertions** which includes:
  - a list of students who are included in economically disadvantaged rate using the sample **Economically Disadvantaged Rate** spreadsheet created in Step 3;

    AND

  - a list of former regular students who are included in placement rate using the sample **Placement Rate** spreadsheet created in Step 5.

    AND

- **the auditor's opinions** on management's assertions.

Due date for submitting the appeal to the Department.

The Department recommends that the school submit its properly completed economically disadvantaged and placement rate appeal in a single, tabbed binder, and mail it return receipt requested or via commercial overnight delivery. The recommended tabs and materials are shown on the next page.

The following material should be sent to the Department's Default Management Division at the address shown on page 189.

Tab 1

The section behind Tab 1 contains:

A **letter** on the school's letterhead with—

- the school's OPE ID number;
- a statement indicating that the school is submitting an exceptional mitigating circumstances appeal based upon its economically disadvantaged and placement rates;
- the current fiscal year to which the appeal applies;
- a certification sentence that indicates that the information provided in the appeal, under penalty of perjury, is true and correct;

AND

- the signature of the school's President/ CEO/Owner, followed by a signature block providing the signer's name and job title

Schools should refer to the sample **Economically Disadvantaged and Placement Rate Appeal** cover letter on page 193.

Tab 2

The section behind Tab 2 contains:

The **school's written assertion** on its **economically disadvantaged rate**

Schools should use the sample **Economically Disadvantaged Rate** spreadsheet on page 195 and detailed instructions on how to create the spreadsheet on page 194 to develop the written assertion.

Tab 3

The section behind Tab 3 contains:

The **school's written assertion** on its **placement rate**.

Schools should use the sample **Placement Rate** spreadsheet on page 197 and detailed instructions on how to create the spreadsheet on page 196 to develop the written assertion.

Tab 4

The section behind Tab 4 contains:

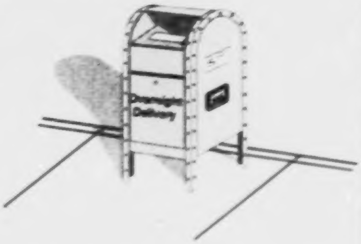
The **auditor's opinions** on the school's management's written assertions.

Please refer to the sample **Independent Auditor's Attestation** letter on page 199.

Note The Department will not consider information submitted after the 60 calendar day deadline. The Department will send the school written notification of its decision. **The Department's decision is final and no further administrative review is provided.**

If sent by commercial overnight mail/courier delivery, send the school's economically disadvantaged and placement rate appeal to:

U.S. Department of Education
Default Management Division
ATTN: Economically Disadvantaged and
Placement Rate Appeal
ROB-3, Room 3905
7th and D Streets, SW
Washington, DC 20407



If sent by U.S. Postal Service, send the school's economically disadvantaged and placement rate appeal to:

U.S. Postal Service

U.S. Department of Education
Default Management Division
ATTN: Economically Disadvantaged and
Placement Rate Appeal
Portals Building, Room 6300
400 Maryland Avenue, SW
Washington, DC 20202-5353

Note The Department will not accept any appeal correspondence by facsimile (fax) or e-mail.

The Department recommends that a school send all appeal correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its appeal. A school should maintain the documentation which verifies the receipt of the appeal related material. In addition, a school should retain copies of all documentation submitted as a part of the appeal process.

U. S. Department of Health and Human Services Poverty Levels Based on Family Size

State	Year	Family Size	
		One person	Each additional person
Alaska	**1993**	**$8,700**	**+$3,080**
	1994	$9,200	+$3,100
	1995	$9,340	+$3,200
	1996	$9,660	+$3,280
Hawaii	**1993**	**$8,040**	**+$2,820**
	1994	$8,470	+$2,850
	1995	$8,610	+$2,940
	1996	$8,910	+$3,010
All Other States	**1993**	**$6,970**	**+$2,460**
	1994	$7,360	+$2,480
	1995	$7,470	+$2,560
	1996	$7,740	+$2,620

Sample **Notice of Intent to File An Economically Disadvantaged and Placement Rate Appeal** Cover Letter

Technical School
1212 Wedgewood Lane
Leonardtown, Wisconsin 12345-6789
(123) 456-7890

Sample Letter

October 20, 1999

U.S. Department of Education
Default Management Division
Attn: Economically Disadvantaged and Placement Rate Intent
ROB-3, Room 3905
600 Independence Avenue, S.W.
Washington, D.C. 20202-5353

OPE ID#: 111222

Subject: **FY 1997 Notice of Intent to File An Economically Disadvantaged and Placement Rate Appeal**

Dear Default Management Division:

School of Business, **OPE ID# 111222,** intends to file an FY 1997 exceptional mitigating circumstances appeal based on our economically disadvantaged and placement rates.

Sincerely,

Robert Young

Robert Young, President

Enclosures

Sample **Economically Disadvantaged and Placement Rate Appeal** Cover Letter

Technical School
1212 Wedgewood Lane
Leonardtown, Wisconsin 12345-6789
(123) 456-7890

November 19, 1999

Sample Letter

U.S. Department of Education
Default Management Division
Attn: Economically Disadvantaged and Placement Rate Appeal
ROB-3, Room 3905
600 Independence Avenue, S.W.
Washington, D.C. 20202-5353

OPE ID#: 111222

Subject: FY 1997 Economically Disadvantaged and Placement Rate Appeal

Dear Default Management Division:

School of Business, **OPE ID# 111222,** is submitting its FY 1997 exceptional mitigating circumstances appeal based on our economically disadvantaged and placement rates.

I, the undersigned, certify under penalty of perjury, that our economically disadvantaged rate is 70.0%, our placement rate is 51.4%, and that all other information submitted in support of this exceptional mitigating circumstances appeal is true and correct.

Please see the attached written assertions for the economically disadvantaged and placement rates, along with the independent auditor's attestations on our school's management assertions.

Sincerely,

Robert Young
Robert Young, President

Enclosures

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Instructions for **Economically Disadvantaged Rate** Spreadsheet

Count and list the students who will be included in the calculation of the school's economically disadvantaged rate using a spreadsheet software application such as Lotus 1-2-3, Supercalc, or Excel. The resulting spreadsheet must be sent to the Department.

The spreadsheet width should be on 8 ½" x 11" paper in a landscape (horizontal) layout. A sample spreadsheet follows these instructions.

Header: Enter **FY 1997 Economically Disadvantaged Rate** in the center of the header area. In the left-hand area, enter the school's name, the school's OPE ID number, the school's selected 12-month period, the award years, and the calendar years.

Note **A school must use a 12-month period that ends during the six-month period proceeding FY 1997.**

Footer: Enter the date the written assertion was prepared in the left side of the footer area. Set up automatic pagination in the right side of the footer area so that the specific pages and the total number of page numbers show on each page (example: page 1 of 10 pages).

On Rows 1, 2, 3, and 4, use the draw tool to draw a rectangle covering lines A1 to F4. Using the text-box tool, draw another box for **Box B** information. In this box, enter the number of economically disadvantaged students (from Column 4)(**B1**), the number of regular students (listed in Column 1)(**B2**), and the school's economically disadvantaged rate **(100 x B1/B2)**. See the instructions for Box B.

On Row 5, enter **exactly** the same column names in exactly the same order as listed on the sample spreadsheet.

On Row 6 and below, include the following data for each student who will be included in the school's economically disadvantaged rate.

Column 1: Enter the student's Social Security Number using hyphens to separate the numbers (example: 000-00-0000) for all the school's students who were enrolled on at least a half-time basis in a Title IV eligible program during the selected 12-month period. Sort in numerical order when ready to print the spreadsheet.

Column 2: Enter the student's name.

Column 3: Enter **MM/DD/CCYY** (month, day, and year) to identify the student's beginning and ending enrollment dates.

Column 4: Enter **X** if student was from an economically disadvantaged background during the selected 12-month period. Leave blank if student was not economically disadvantaged.

Fill out Column 5 or Column 6 of the spreadsheet. For each student from an economically disadvantaged background, provide either:

Column 5: The student's EFC and the **award year associated with the EFC** which coincides with the selected 12-month period (in Columns 5a and 5b)

OR

Column 6: The student's AGI, family size, and calendar year which coincide with the selected 12-month period (in Columns 6a, 6b, and 6c)

Instructions for Box B (located in the shaded area)

◆ Count the number of X's that appear in Column 4. This is **B1** in the calculation. Record this number in Box B of the Economically Disadvantaged Rate spreadsheet. This is the number of students from economically disadvantaged backgrounds.

◆ Count the number of students listed in Column 1. The total number of students will be **B2** in the calculation. Record this number in Box B of the Economically Disadvantaged Rate spreadsheet. This is the number of students enrolled at the school.

◆ Calculate **100 x B1/B2** and record the result in Box B on the Economically Disadvantaged Rate spreadsheet. **This percentage is the school's economically disadvantaged rate.**

Sample Economically Disadvantaged Rate Spreadsheet

School Name: Technical School
OPE ID Number: 111222
12-month Period: 10/1/1995-9/30/1996
Award Years: 1995/1996 and 1996/1997
Calendar Years: 1995 and 1996

FY 1997
Economically Disadvantaged Rate

Note: This is a sample spreadsheet. (See instructions).

Box B

# of Economically Disadvantaged Students (from Column 4) **[B1]**	140
# of Students (from Column 1) **[B2]**	200
Economically Disadvantaged Rate [100 x B1/B2]	70.0%

1. Student's SSN (sort in numerical order)	**2. Student's name**	**3. Student's enrollment dates** (from MM/DD/CCYY to MM/DD/CCYY)	**4. If student qualifies as economically disadvantaged enter X**	**5a. If column 4 is marked and economically disadvantaged is based on EFC, enter EFC**	**5b. If column 5a has an EFC, enter EFC's award year**	**6a. If column 4 is marked and economically disadvantaged is based on AGI, enter AGI**	**6b. If column 6a has an AGI, enter family size**	**6c. If column 6a has an AGI, enter calendar year**
111-11-1111	Jane Smith	3/15/1995-3/10/1996	X	$1,000.00	1995/1996			
222-22-2222	John Doe	6/16/1995-10/3/1995	X			$4,200.00	1	1995
333-33-3333	Chris Jones	12/15/1995-3/4/1996						

11/01/1999

[send to U.S. Department of Education's Default Management Division at the address located on page 189.]

Page 1 of 10 pages

Instructions for Placement Rate Spreadsheet

Count and list the students who will be included in the calculation of the school's placement rate using a spreadsheet software application such as Lotus 1-2-3, Supercalc, or Excel. The resulting spreadsheet must be sent to the Department.

The spreadsheet width should be on 8 ½" x 11" paper in a landscape (horizontal) layout. A sample spreadsheet follows these instructions.

Header:	Enter **FY 1997 Placement Rate** in the center of the header area. In the left-hand area, enter the school's name, the school's OPE ID number, and the school's selected 12-month period.
Note	A school **must base the placement rate on the same 12-month period used for the school's economically disadvantaged rate. However, the students contained in each rate will NOT be the same.**
Footer:	Enter the date the written assertion was prepared in the left side of the footer area. Set up automatic pagination in the right side of the footer area so that the specific pages and the total number of page numbers show on each page (example: page 1 of 10 pages).

On Rows 1, 2, 3, and 4, use the draw tool to draw a rectangle covering lines A1 to J4. Using the text-box tool, draw another box for **Box C** information. In this box, enter the number of students successfully placed (from Column 5) **(C1)**, the number of entries listed in Column 1 **(C2)**, and the school's placement rate (100 **x C1/C2**). See the instructions for Box C.

On Row 5, enter **exactly** the same column names in **exactly** the same order as listed on the sample spreadsheet.

On Row 6 and below, include the following data for each former regular student who will be included in the school's placement rate.

Column 1:	Enter the former regular student's Social Security Number using hyphens to separate the numbers (example: 000-00-0000) for all of the school's former regular students who meet the conditions identified on page 176. Sort in numerical order when ready to print the spreadsheet.
Column 2:	Enter the former regular student's name.
Column 3:	Enter MM/DD/CCYY (month, day, and year) to identify the date that each former regular student was originally scheduled, at the time of enrollment, to complete his or her program of study.
Column 4:	Enter MM/DD/CCYY (month, day, and year) to identify the beginning and ending dates of the former regular student's enrollment.
Column 5:	Enter X if the former regular student was successfully placed in employment as identified on page 177.
Column 6:	Enter each former regular student's program of study. Do NOT use abbreviations.
Column 7 :	Enter the **MM/DD/CCYY** to identify the beginning and ending dates of the employment that qualifies as successful placement. (If the student is still employed by the same employer, enter MM/DD/CCYY to **present**.)
Column 8:	Enter the former regular student's job description in the employment that qualifies as successful placement. Do NOT use abbreviations.
Column 9:	Enter the name, address, and telephone number of the employer with which the former regular student was successfully placed.

Note **If the student is self-employed, provide the student's address and telephone number.**

Instructions for Box C (located in the shaded area):

- Count the number of Xs that appear in Column 5. The total number of Xs will be **C1** in the calculation. Record this number in **Box C** on the Placement Rate spreadsheet. **This is the number of former regular students who were successfully placed in employment.**
- Count the number of former regular students listed in the Placement Rate spreadsheet by counting the number of entries in Column 1. The total number of former regular students will be **C2** in the calculation. Record this number in **Box C** in the Placement Rate spreadsheet. **This is the number of students who were scheduled to complete their programs during the selected 12-month period.**
- Calculate **100 x C1/C2** and record the result in **Box C** on the Placement Rate spreadsheet. **This percentage is the school's placement rate.**

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School Name: Technical School
OPE ID Number: 111222
12-month Period: 10/1/1995-9/30/1996

FY 1997
Placement Rate

Note: This is a sample spreadsheet. (See instructions).

Sample Placement Rate Spreadsheet

Box C

# of Former Regular Students Successfully Placed (from Column 5) **[C1]**	90
# of Former Regular Students Originally Scheduled to Complete Programs (from Column 1) **[C2]**	175
Placement Rate **[100 x C1/C2]**	51.4%

1. Student's SSN (sort in numerical order)	**2. Student's Name** (sort in numerical order)	**3. Date that student was originally scheduled to complete program of study**	**4. Student's enrollment dates** (from MM/DD/CCYY to MM/DD/CCYY)	**5. If student was successfully placed in employment, enter X**	**6. Student's program of study**	**7. If student was successfully placed, provide beginning and ending dates of employment** (from MM/DD/CCYY to MM/DD/CCYY)	**8. If student was successfully placed, provide student's job description** (do NOT use abbreviations)	**9. If student was successfully placed, provide employer's name, address, and phone number**
111-11-1111	Jane Smith	04/15/1996	3/15/1995-03/10/1996	X	Cosmetology	4/10/1996-present	Hair Stylist	Jane's Beauty Shop 30 First Lane Phoeniz, AZ 55555 (888) 555-1111
222-22-2222	Chris Jones	09/15/1996	12/15/1995-03/04/1996					
333-33-3333	James John	10/15/1995	10/1/1994-09/15/1995	X	Cosmetology	9/1/1996-present	Hair Stylist	John's Beauty Shop 40 Third Lane Atlanta, GA 88888 (888) 555-2222

11/01/1999

[send to U.S. Department of Education's Default Management Division at the address located on page 189.]

Page 1 of 12 pages

Sample **Independent Auditor's Attestation** Letter

Global Accounting
1212 Hickory Lane
Hughesville, Florida 12345-6789
(123) 456-7890

Sample Letter

November 18, 1999

U.S. Department of Education
Default Management Division
Attn: Economically Disadvantaged and Placement Rate Appeal
ROB-3, Room 3905
600 Independence Avenue, S.W.
Washington, D.C. 20202-5353

OPE ID#: 111222

Subject: **Independent Auditor's Attestation**

Dear Default Management Division:

We have examined management's assertions that the information contained in School of Business's **OPE ID# 111222** exceptional mitigating circumstances appeal based on its economically disadvantaged and placement rates, is complete, accurate and determined in accordance with the requirements of HEA § 435(a)(4)(A). Management is responsible for School of Business's compliance with those requirements. Our responsibility is to express an opinion on management's assertions about the institution's compliance based on our examination.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about School of Business's compliance with HEA § 435(a)(4)(A) and performing such other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on School of Business's compliance with specified requirements.

In our opinion, management's assertion that the information contained in School of Business's assertions, which reports that School of Business has an economically disadvantaged rate of 70.0% and a placement rate of 51.4% for the twelve-month period beginning on October 1, 1995 and ending on September 30, 1996, with the award years 1995/1996 and 1996/1997 and the calendar years 1995 and 1996 is complete, accurate and determined in accordance with the requirements set forth in HEA § 435(a)(4)(A), and is fairly stated, in all material respects.

This report is intended solely for the information of an audit committee, management, and the U.S. Department of Education. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

Mary Smith

Mary Smith, CPA
President, Global Accounting, Inc.

Economically Disadvantaged and Completion Rate Appeal

◆

QUALIFYING

What is an economically disadvantaged rate?

An economically disadvantaged rate is the percentage of the students enrolled in a school's Title IV eligible programs who are eligible to receive at least half the maximum Federal Pell Grant award or who have an adjusted gross income below the poverty level.[1]

Please refer to page 205 for a more in depth discussion of how to calculate an economically disadvantaged rate.

What is a completion rate?

A completion rate is the percentage of a school's regular students that completed their program of study, as defined in the Higher Education Act of 1965, as amended (HEA) § 435(a)(4)(A)(ii).

Please refer to page 209 for a more in depth discussion of how to calculate a completion rate.

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[1] HEA § 435(a)(4)(A)(i)

Which schools are eligible to submit an economically disadvantaged and completion rate appeal?

To file an exceptional mitigating circumstances appeal based on **economically disadvantaged and completion rates**, a school must[2]:

- be **subject to sanctions**;
- be a **degree-granting** school;
- demonstrate that at least $66\frac{2}{3}$ percent of its students came from **economically disadvantaged backgrounds** as defined in HEA § 435(a)(4)(A)(i);

  AND
- demonstrate that at least 70.0 percent of its regular students **completed their programs of study** as defined in HEA § 435(a)(4)(A)(ii).

The checklist on the next page summarizes the eligibility criteria for an economically disadvantaged and completion rate appeal.

Q. What if the school is not sure whether it is classified as a degree-granting or non-degree-granting school?

A. A school should refer to its Eligibility and Certification Approval Report generated by the Department's Case Management Division.

If additional assistance is needed in making this determination, please contact the Case Management Division at 202-205-0183.

Q. What is a regular student?

A. A regular student is defined as a person who is enrolled, or accepted for enrollment, at an institution for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that institution as defined in 34 CFR § 600.2.

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[2] HEA § 435(a)(4)(A)

Economically Disadvantaged and Completion Rate Appeal Eligibility Checklist

To be eligible to submit an economically disadvantaged and completion rate appeal, a school must meet ALL of the following criteria:

- ☐ The school is subject to one or more of the following sanctions:
    - initial loss of eligibility to participate in the FFEL Program and/or Direct Loan Program and Federal Pell Grant Program;
    - extended loss of eligibility to participate in the FFEL Program and/or Direct Loan Program and Federal Pell Grant Program;

      AND/OR
    - possible action to limit, suspend, and/or terminate (LS&T) participation in one or more Title IV Student Financial Assistance Programs.
- ☐ The school is a **degree granting** school that:
    - enrolls at least 66⅔ percent of its students from economically disadvantaged backgrounds as defined in HEA § 435(a)(4)(A)(i);

      AND
    - can demonstrate that at least 70.0 percent of its students completed their programs as defined in HEA § 435(a)(4)(A)(ii).

An economically disadvantaged and completion rate must be based on which cohort period?

A school must base its economically disadvantaged and completion rate on its most recent cohort period (in this case FY 1997).[3] The 12-month period on which the school's appeal is based must end within the six months preceding FY 1997.

Please refer to page 146 for more information on selecting an acceptable 12-month period.

How can an economically disadvantaged and completion rate appeal affect a school's loss of eligibility to participate in Title IV Student Financial Assistance Programs?

If a degree granting school submits a successful economically disadvantaged and completion rate appeal, the Department will withdraw its notification of loss or extension of loss of the school's eligibility to participate in the FFEL Program and/or Direct Loan Program and Federal Pell Grant Program.[4] In addition, the Department will NOT initiate an action to limit, suspend, or terminate the school's participation in any or all of the Title IV Student Financial Assistance Programs due to the school's official cohort default rate.[5]

Note A successful exceptional mitigating circumstances appeal does NOT change a school's official cohort default rate. Therefore, if a school submits a successful economically disadvantaged and completion rate appeal, the Department will only withdraw its notification that the school is subject to loss for one year. If the school's subsequent cohort default rate is once again equal to or greater than 25.0 percent, the school will be notified that it is once again subject to loss of FFEL Program and/or Direct Loan Program and Federal Pell Grant Program eligibility. The school may then choose to submit another economically disadvantaged and completion rate appeal based on the most recent cohort period.

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[3] HEA § 435(a)(4)(A)

[4] 34 CFR § 668.17(c)(5)

[5] 34 CFR § 668.17(a)(5)

How is the economically disadvantaged rate calculated?

The **economically disadvantaged rate**[6] is calculated as follows:

$$100 \times \frac{\text{number of regular students enrolled on at least a half-time basis in a Title IV eligible program during the selected 12-month period who were eligible to receive at least one-half the maximum Federal Pell Grant award or who had an adjusted gross income less than the U.S. Department of Health and Human Services poverty level during an award year/calendar year that overlaps the selected 12-month period}}{\text{number of regular students enrolled on at least a half-time basis in a Title IV eligible program during a selected 12-month period}}$$

Note A school must select a 12-month period that ends during the six months immediately preceding FY 1997. Information on how to select an acceptable 12-month period is provided on page 146 in the "Exceptional Mitigating Circumstances Appeal" section.

As a part of a successful exceptional mitigating circumstances appeal, a school must have an economically disadvantaged rate of at least 66⅔ percent.

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[6] HEA § 435(a)(4)(A)(i)

Example: College University had a total of 250 students enrolled on at least a half-time basis in a Title IV eligible program during an acceptable 12-month period. Of those 250 students, 80 students received at least one-half the maximum Federal Pell Grant award and 100 different students had an adjusted gross income less than the U.S. Department of Health and Human Services poverty level during an award year/calendar year that overlaps the selected 12-month period by at least one day. College University's economically disadvantaged rate is calculated as follows:

$$\boxed{100} \times \frac{\boxed{80\ (\text{Pell}) + 100\ (\text{AGI}) = 180}}{\boxed{250}} \quad \boxed{72.0\%}$$

Which students are included in the denominator of the economically disadvantaged rate calculation?

To be included in the denominator of the economically disadvantaged rate, a student must have been—

- enrolled in a Title IV eligible program;

  AND

- enrolled on at least a half-time basis for one or more days during the selected 12-month period.[7]

Note A student's entire enrollment period does not have to fall within the selected 12-month period. A student who enrolled **prior** to the 12-month period but completed/withdrew **during** the 12-month period is considered to have been enrolled during the 12-month period. In addition, a student who enrolled **during** the 12-month period but completed/withdrew **after** the 12-month period is considered to have been enrolled during the 12-month period. Finally, a student that enrolled **prior** to the 12-month period and continued to be enrolled until **after** the 12-month period is considered to have been enrolled during the 12-month period.

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[7] HEA 435(a)(4)(A)(i)

Which students are included in the numerator of the economically disadvantaged rate?

To be included in the numerator of the economically disadvantaged rate, the student must first be included in the denominator of the rate. If a student is included in the denominator of the economically disadvantaged rate and meets either of the following conditions, the student will be included in the numerator of the economically disadvantaged rate:

- the student has an expected family contribution (EFC) of 1200 or less for an award year that overlaps the 12-month period selected by the school;[8]

Note A student with an EFC of 1200 or less is considered to be eligible to receive at least one-half of the maximum Federal Pell Grant award.

OR

- the student has an adjusted gross income and family size that is below the U.S. Department of Health and Human Services poverty level for a calendar year that overlaps with the 12-month period selected by the school.[9]

Please refer to page 225 for the poverty level guidelines established by the U.S. Department of Health and Human Services.

Note In order for a student to be included in the numerator of the economically disadvantaged rate, the student's applicable expected family contribution or adjusted gross income must be associated with an award/calendar year that overlaps the 12-month period chosen by the school.

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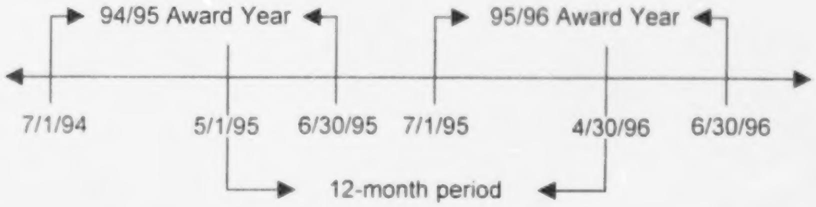
[8] HEA 435(a)(4)(A)(i)(I)

[9] HEA 435(a)(4)(A)(i)(II)

How does a school determine if an award year overlaps the selected 12-month period?

An award year begins on July 1 of one year and ends on June 30 of the next year. An award year overlaps a 12-month period if any portion of the award year overlaps any portion of the 12-month period.

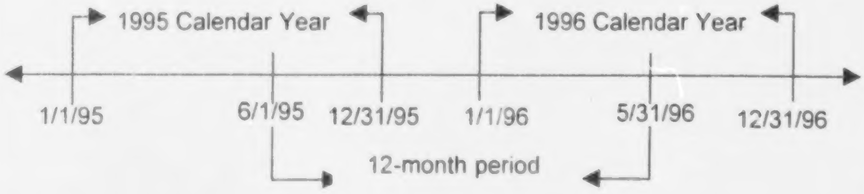
Example: Forrest University selected May 1, 1995, through April 30, 1996, as its 12-month period. The 1994/95 and 1995/96 award years overlap the selected 12-month period. Therefore, Forrest University can use estimated family contributions associated with both award years to determine if students are economically disadvantaged.


94/95 Award Year
95/96 Award Year
7/1/94
5/1/95
6/30/95
7/1/95
4/30/96
6/30/96
12-month period

How does a school determine if a calendar year overlaps the selected 12-month period?

A calendar year overlaps a 12-month period if any portion of the calendar year overlaps any portion of the 12-month period.

Example: Lane University selected June 1, 1995, through May 31, 1996, as its 12-month period. The 1995 and 1996 calendar years overlap the selected 12-month period. Therefore, Lane University can use adjusted gross incomes associated with both calendar years to determine if students are economically disadvantaged.


1995 Calendar Year
1996 Calendar Year
1/1/95
6/1/95
12/31/95
1/1/96
5/31/96
12/31/96
12-month period

How is the completion rate calculated?

The **completion rate**[10] is calculated as follows:

100 **X**

number of regular students, included in the denominator of the completion rate calculation who *either*:

- received degrees;
- transferred to higher level programs;
- at the end of the 12-month period, remained enrolled and making satisfactory academic progress toward completion of their educational programs;

AND/OR

- entered active duty in the U.S. Armed Forces within a year of leaving the school.

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number of regular students who were initially enrolled on a full-time basis in a Title IV eligible program and were originally scheduled to complete their programs during the same 12-month period selected for the economically disadvantaged rate.

Note A school must select a 12-month period that ends during the six months immediately proceeding FY 1997. Information on how to select an acceptable 12-month period is provided on page 146 in the "Exceptional Mitigating Circumstances Appeal" section.

As part of a successful economically disadvantaged and completion rate appeal, a school must have a completion rate of at least 70.0 percent.

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[10] HEA § 435(a)(4)(A)(ii)

Example: College University had a total of 300 regular students initially enrolled on a full-time basis in a Title IV eligible program that were originally scheduled to complete their programs during the 12-month period used to determine the economically disadvantaged rate. Of those 300 students, 80 students received degrees, 70 students transferred to higher level programs, 45 students were making satisfactory academic progress toward completion of their educational programs at the end of the 12-month period, and 45 students entered active duty in the U.S. Armed Forces within a year of leaving the school. College University's completion rate is calculated as follows:

$$\boxed{100} \times \frac{\boxed{80 + 70 + 45 + 45 = 240}}{\boxed{300}} = \boxed{80.0\%}$$

Which students are included in the denominator of the completion rate calculation?

To be included in the denominator of the completion rate calculation, a regular student must have been—

- **initially enrolled** on a full-time basis;[11]
- enrolled in a **Title IV eligible program**;

AND

- **scheduled to complete** his/her program of study during the same 12-month period used to calculate the economically disadvantaged rate.

Q. What is a regular student?

A. A regular student is defined as a person who is enrolled, or accepted for enrollment at an institution for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that institution as defined in 34 CFR § 600.2.

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[11] HEA § 435(a)(4)(A)(ii)

Note Even though the same 12-month period is used to calculate both the economically disadvantaged and completion rates, the students included in the denominator of each rate will **not** be the exact same group of students. Students who were **enrolled** during the 12-month period and qualify to be included in the denominator of the economically disadvantaged rate may not have been **scheduled to complete** their programs during the same 12-month period (i.e., the denominator of the completion rate).

Which students are included in the numerator of the completion rate?

In order to be included in the numerator of the completion rate, the regular student must first be included in the denominator of the rate. If the student is in the denominator of the completion rate and meets any of the following criteria, the student is included in the numerator of the completion rate:

- the regular student received a degree;

  Example: A regular student who received a degree on September 9, 1997, qualifies to be included in the numerator of the completion rate if the student was included in the denominator of the completion rate.

- the regular student transferred to a higher level program;

  Example: A regular student that transferred to a higher level program on April 15, 1996 qualifies to be included in the numerator of the completion rate if the student was included in the denominator of the completion rate.

Note The student's graduation and/or transfer date does NOT need to fall within the selected 12-month period. Only the student's original scheduled to complete date must fall within the selected 12-month period.

◆ the regular student remained enrolled and was making satisfactory academic progress at the end of the 12-month period used to calculate the completion rate.

Example: A regular student remained enrolled and held a GPA of 3.8 at the end of the 12-month period.

AND/OR

◆ the regular student entered active duty in the U.S. Armed Forces within one year of leaving the school.

What is an independent auditor's attestation?

A school's economically disadvantaged and completion rate appeal must be reviewed and attested to by an independent auditor.

The report of the independent auditor must state whether, in the auditor's opinion, the school's management's written assertions demonstrated exceptional mitigating circumstances based on the economically disadvantaged and completion rate criteria. The report must also indicate if management's written assertions are fairly stated in all material respects. The engagement, which forms the basis of the independent auditor's opinion, must be an examination-level compliance attestation engagement performed in accordance with the American Institute of Certified Public Accountant's (AICPA) Statement on Standards for Attestation Engagements, Compliance Attestation (AICPA, Professional Standards, Volume 1, AT sec. 500), as amended, and Government Auditing Standards issued by the Comptroller General of the United States.

TIMING AND SUBMITTING

How does a school prepare and submit an economically disadvantaged and completion rate appeal?

Timing is critical when submitting an economically disadvantaged and completion rate appeal.

Time frames may overlap. Read ALL steps.

Step 1: Within **30 calendar days** of receiving official notification that the school is subject to sanctions, **review the school's official cohort default rate notification letter and this Guide to determine if the school is eligible** to submit an economically disadvantaged and completion rate appeal.

Please refer to page 202 for a detailed discussion regarding which schools are eligible to appeal based on economically disadvantaged and completion rates.

Step 2: If a school is eligible to submit an economically disadvantaged and completion rate appeal, **within the time frame described in Step 1** (i.e., **within 30 calendar days** of receiving notice that the school is subject to sanctions), **submit a letter to the Department** at the address on page 224 that indicates that the school intends to submit an economically disadvantaged and completion rate appeal.

Use the sample **Notice of Intent to File An Economically Disadvantaged and Completion Rate Appeal** cover letter on page 227 or its equivalent.

Step 3: Prior to **60 calendar days** after receiving notice that the school is subject to sanctions, a school **must develop a written assertion for submission to the school's independent auditor that demonstrates that the school's economically disadvantaged rate is at least $66\frac{2}{3}$ percent.**

The school's written assertion should be developed using the sample **Economically Disadvantaged Rate** spreadsheet on page 231 or its equivalent and must include the following:

- the school's name and OPE ID Number;
- the 12-month period on which the school is basing its economically disadvantaged rate;

  For information on selecting an acceptable 12-month period, please refer to page 146 in the "Exceptional Mitigating Circumstances Appeal" section.

- the Social Security numbers, in numerical order, of all the school's students enrolled in a Title IV eligible program on at least a half-time basis during any part of the selected 12-month period;

Note These are the students that will be included in the denominator of the economically disadvantaged rate.

- the student's name;

- the beginning and ending **enrollment dates** for each student [include the month, day and year (MM/DD/CCYY)];

Note No student should be counted more than once in the calculation, even if the student re-enrolled.

- an X next to the student's name if the student is from an economically disadvantaged background as defined on page 207;

Note These are the students that will be included in the numerator of the economically disadvantaged rate.

- if the student is from an economically disadvantaged background, either:
  - the student's expected family contribution and applicable award year;

    Note The expected family contribution must be 1200 or less for an award year that overlaps the selected 12-month period in order for the student to qualify as economically disadvantaged.

OR

Q. Which award years/calendar years coincide with a selected 12-month period?

A. An award year/calendar year coincides with a 12-month period if the award year/calendar year overlaps the 12-month period by at least one day.

Please refer to page 208 for a more in depth discussion on coinciding award years and calendar years.

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- the student's, and if applicable the student's parents'/spouse's adjusted gross income, family size, and applicable calendar year.

Note The annual gross income and family size must be less than the U.S. Department of Health and Human Services poverty levels for a calendar year that coincides with the selected 12-month period in order for the student to qualify as economically disadvantaged. The U.S. Department of Health and Human Services' poverty levels are shown on page 225.

Step 4: **Within the time frame described in Step 3** (i.e., prior to 60 calendar days after receiving notice that the school is subject to sanctions), a school must **calculate the school's economically disadvantaged rate and include the rate on its written assertion.**

- Count the number of students identified as economically disadvantaged on the spreadsheet. **These are the students that will be included in the numerator of the economically disadvantaged rate.**
- Count the number of students listed on the spreadsheet. **These are the students that will be included in the denominator of the economically disadvantaged rate.**
- Divide the total number of students from economically disadvantaged backgrounds (i.e., the numerator) by the total number of students listed on the spreadsheet (i.e., the denominator) and multiply the result by 100. **This is the school's economically disadvantaged rate**.

Note As part of a successful appeal, the school's economically disadvantaged rate must be at least 66⅔ percent.

Step 5: **Within the time frame described in Step 3** (i.e., prior to 60 calendar days after receiving notice that the school is subject to sanctions), a school must **develop a written assertion for submission to the school's independent auditor that demonstrates that the school's completion rate is at least 70.0 percent**.

The school's written assertion should be developed using the sample **Completion Rate** spreadsheet on page 233 or its equivalent and must include the following:

- the school's name and OPE ID Number;
- an indication that the same 12-month period is being used for the school's completion rate as was used for the school's economically disadvantaged rate;
- the Social Security numbers, in numerical order, of all the school's regular students who were:
    - **initially enrolled** on a full-time basis;
    - enrolled in a Title IV **eligible program**;

      AND
    - **originally scheduled to complete** their program of study during the selected 12-month period.

Note These are the students that will be included in the denominator of the completion rate calculation.

Please refer to page 210 for a more in-depth description of the students that should be included in the school's completion rate calculation.

- the regular student's full name;

Q. What is a regular student?

A. A regular student is defined as a person who is enrolled, or accepted for enrollment, in an eligible program at an institution for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that institution as defined in 34 CFR § 600.2.

- the date that each regular student **was originally scheduled at the time of enrollment** to complete his or her program of study;

Note The original scheduled to complete date for a full-time student will be based on the amount of time normally required by a full-time student to complete the program, as specified in the school's enrollment contract, catalog, or other materials.

- the beginning and ending **enrollment dates** for each regular student;

- an X next to the regular student's name if the student meets the following conditions:

Note These are the students that will be included in the numerator of the completion rate.

A regular student is considered to have successfully completed the program if:

- the regular student received a degree at the school;
- the regular student transferred from the school to a higher level educational program;
- the regular student remained enrolled at the school at the end of the selected 12-month period and was making satisfactory academic progress toward completion of his or her educational program;

OR

    - the regular student entered active duty in the U.S. Armed Forces within a year of leaving the school.

      Please refer to page 211 of this section for a more detailed discussion of which students are considered successfully completed.

- for each regular student successfully completing the program because the student received a degree from the school, the **date a degree was received**;
- for each regular student successfully completing the program because the student transferred to a higher level educational program,
    - the **student's program of study** at the school the student transferred from (do NOT use abbreviations);
    - the **date the student transferred**;
    - the **name and address of the school** to which the student transferred;

      AND
    - the **name of the higher level educational program to which the student transferred**. Do NOT use abbreviations;
- for each regular student that successfully completed the program because the student remained enrolled and was making satisfactory academic progress at the end of the selected 12-month period, the **student's GPA**;

AND

- for each regular student that successfully completed the program because the student entered active duty in the U.S. Armed Forces within a year of leaving school, **the date the student entered the U.S. Armed Forces**.

Step 6: **Within the time frame described in Step 3** (i.e., prior to 60 calendar days after receiving notice that the school is subject to sanctions), a school must **calculate the school's completion rate and include the rate on its written assertion**.

- Count the number of regular students that received a degree, transferred to a higher level program, maintained satisfactory academic progress, or entered active duty in the U.S. Armed Forces within a year of leaving school. **These are the students who will be included in the numerator of the completion rate.**
- Count the number of regular students listed on the spreadsheet. **These are the students who will be included in the denominator of the completion rate.**
- Divide the total number of regular students successfully completed (i.e., the numerator) by the total number of regular students listed on the spreadsheet (i.e., the denominator). **This is the school's completion rate.**

Note As part of a successful appeal, the school's completion rate must be at least 70.0 percent.

Step 7: **Within the time frame described in Step 3** (i.e., prior to 60 calendar days after receiving notice that the school is subject to sanctions), a school **must submit the school's Economically Disadvantaged Rate and Completion Rate written assertions to the school's independent CPA for review.**

- The independent CPA should perform a review and provide a report that states whether, in the auditor's opinion, the school's management's written assertions demonstrated exceptional mitigating circumstances based on the economically disadvantaged and completion rate criteria.

- The auditor's opinions must indicate if management's written assertions are fairly stated in all material respects.
- The engagement which forms the basis of the independent auditor's opinion must be an examination-level compliance attestation engagement performed in accordance with the American Institute of Certified Public Accountant's (AICPA) Statement on Standards for Attestation Engagements, Compliance Attestation (AICPA, Professional Standards, Volume 1, AT sec. 500), as amended, and Government Auditing Standards issued by the Comptroller General of the United States.
- The attestation must be in the form of a letter with—
    - the school's name;
    - the school's OPE ID number;
    - the fiscal year to which the appeal applies;
    - the auditor's opinions on management's assertions;

      AND
    - the independent auditor's signature, followed by a signature block providing the signer's name and title.

An independent auditor should use the sample **Independent Auditor's Attestation** letter on page 235.

Due date for submitting the appeal to the Department.

Step 8: Within **60 calendar days** of receiving notice that the school is subject to sanctions, **a school must submit the following to the Department** at the address on page 224:

- a cover letter using the sample **Economically Disadvantaged and Completion Rate Appeal** cover on page 229;

- **a copy of the school's written assertions** which includes:
    - a list of students who are included in the economically disadvantaged rate using the sample **Economically Disadvantaged Rate** spreadsheet created in Step 3;

      AND

    - a list of regular students who are included in the completion rate using the sample **Completion Rate** spreadsheet created in Step 5.

  AND

- **the auditor's opinions** on management's assertions.

The Department recommends that the school submit its properly completed economically disadvantaged and completion rate appeal in a single, tabbed binder, and mail it return receipt requested or via commercial overnight delivery. The recommended tabs and materials are shown on the next page.

The following material should be sent to the Department's Default Management Division at the address shown on page 223.

Tab 1

The section behind Tab 1 contains:

A **letter** on the school's letterhead with—

- the school's OPE ID number;
- a statement indicating that the school is submitting an exceptional mitigating circumstances appeal based upon its economically disadvantaged and completion rates;
- the current fiscal year to which the appeal applies;
- a certification sentence that indicates that the information provided in the appeal, under penalty of perjury, is true and correct;

  AND

- the signature of the school's President/ CEO/Owner, followed by a signature block providing the signer's name and job title

Schools should refer to the sample **Economically Disadvantaged and Completion Rate Appeal** cover letter on page 229

Tab 2

The section behind Tab 2 contains:

The **school's written assertion** on its **economically disadvantaged rate**

Schools should use the sample **Economically Disadvantaged Rate** spreadsheet on page 231 and detailed instructions on how to create the spreadsheet on page 230 to develop the written assertion

Tab 3

The section behind Tab 3 contains:

The **school's written assertion** on its **completion rate**

Schools should use the sample **Completion Rate** spreadsheet on page 233 and detailed instructions on how to create the spreadsheet on page 232 to develop the written assertion

Tab 4

The section behind Tab 4 contains:

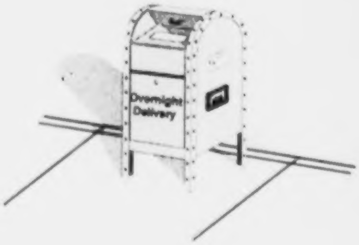
The **auditor's opinions** on the school's management's written assertions

Please refer to the sample **Independent Auditor's Attestation** letter on page 235

Note The Department will not consider information submitted after the 60 calendar day deadline. The Department will send the school written notification of its decision. **The Department's decision is final and no further administrative review is provided.**

If sent by commercial overnight mail/courier delivery, send the school's economically disadvantaged and completion rate appeal to:

U.S. Department of Education
Default Management Division
ATTN: Economically Disadvantaged and
Completion Rate Appeal
ROB-3, Room 3905
7th and D Streets, SW
Washington, DC 20407



If sent by U.S. Postal Service, send the school's economically disadvantaged and completion rate appeal to:

U.S. Postal Service
Postal Service

U.S. Department of Education
Default Management Division
ATTN: Economically Disadvantaged and
Completion Rate Appeal
Portals Building, Room 6300
400 Maryland Avenue, SW
Washington, DC 20202-5353

Note The Department will not accept any appeal correspondence by facsimile (fax) or e-mail.

The Department recommends that a school send all appeal correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its appeal. A school should maintain the documentation which verifies the receipt of the appeal related material. In addition, a school should retain copies of all documentation submitted as a part of the appeal process.

U. S. Department of Health and Human Services Poverty Levels Based on Family Size

State	Year	Family Size	
		One person	Each additional person
Alaska	1993	$8,700	+$3,080
	1994	$9,200	+$3,100
	1995	$9,340	+$3,200
	1996	$9,660	+$3,280
Hawaii	1993	$8,040	+$2,820
	1994	$8,470	+$2,850
	1995	$8,610	+$2,940
	1996	$8,910	+$3,010
All Other States	1993	$6,970	+$2,460
	1994	$7,360	+$2,480
	1995	$7,470	+$2,560
	1996	$7,740	+$2,620

Sample **Notice of Intent to File An Economically Disadvantaged and Completion Rate Appeal** Cover Letter

College University
1212 Wedgewood Lane
Leonardtown, Wisconsin 12345-6789
(123) 456-7890

Sample Letter

October 20, 1999

U.S. Department of Education
Default Management Division
Attn: Economically Disadvantaged and Completion Rate Intent
ROB-3, Room 3905
600 Independence Avenue, S.W.
Washington, D.C. 20202-5353

OPE ID#: 222111

Subject: **FY 1997 Notice of Intent to File An Economically Disadvantaged and Completion Rate Appeal**

Dear Default Management Division:

College University, **OPE ID# 222111,** intends to file an FY 1997 exceptional mitigating circumstances appeal based on our economically disadvantaged and completion rates.

Sincerely,

Robert Young

Robert Young, President

Enclosures

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Sample **Economically Disadvantaged and Completion Rate Appeal** Cover Letter

College University
1212 Wedgewood Lane
Leonardtown, Wisconsin 12345-6789
(123) 456-7890

Sample Letter

November 19, 1999

U.S. Department of Education
Default Management Division
Attn: Economically Disadvantaged and Completion Rate Appeal
ROB-3, Room 3905
600 Independence Avenue, S.W.
Washington, D.C. 20202-5353

OPE ID#: 222111

Subject: FY 1997 Economically Disadvantaged and Completion Rate Appeal

Dear Default Management Division:

College University, **OPE ID# 222111,** is submitting its FY 1997 exceptional mitigating circumstances appeal based on our economically disadvantaged and completion rates.

I, the undersigned, certify under penalty of perjury, that our economically disadvantaged rate is 72.0%, our completion rate is 80.0%, and that all other information submitted in support of this exceptional mitigating circumstances appeal is true and correct.

Please see the attached written assertions for the economically disadvantaged and completion rates, along with the independent auditor's attestations on our school's management's assertions.

Sincerely,

Robert Young

Robert Young, President

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Enclosures

Instructions for **Economically Disadvantaged Rate** Spreadsheet

Count and list the students who will be included in the calculation of the school's economically disadvantaged rate using a spreadsheet software application such as Lotus 1-2-3, Supercalc, or Excel. The resulting spreadsheet must be sent to the Department.

The spreadsheet width should be on 8 ½ "x 11" paper in a landscape (horizontal) layout. A sample spreadsheet follows these instructions.

Header: Enter **FY 1997 Economically Disadvantaged Rate** in the center of the header area. In the left-hand area, enter the school's name, the school's OPE ID number, the school's selected 12-month period, the award years, and the calendar years.

Note **A school must use a 12-month period that ends during the six-month period proceeding FY 1997.**

Footer: Enter the date the written assertion was prepared in the left side of the footer area. Set up automatic pagination in the right side of the footer area so that the specific pages and the total number of page numbers show on each page (example: page 1 of 10 pages).

On Rows 1, 2, 3, and 4, use the draw tool to draw a rectangle covering lines A1 to F4. Using the text-box tool, draw another box for **Box B** information. In this box, enter the number of economically disadvantaged students (from Column 4)**(B1)**, the number of regular students (listed in Column 1)**(B2)**, and the school's economically disadvantaged rate **(100 x B1/B2)**. See the instructions for Box B.

On Row 5, enter **exactly** the same column names in exactly the same order as listed on the sample spreadsheet.

On Row 6 and below, include the following data for each student who will be included in the school's economically disadvantaged rate.

Column 1: Enter the student's Social Security Number using hyphens to separate the numbers (example: 000-00-0000) for all the school's students who were enrolled on at or least a half-time basis in a Title IV eligible program during the selected 12-month period. Sort in numerical order when ready to print the spreadsheet.

Column 2: Enter the student's name.

Column 3: Enter MM/DD/CCYY (month, day, and year) to identify the student's beginning and ending enrollment dates.

Column 4: Enter X if student was from an economically disadvantaged background during the selected 12-month period. Leave blank if student was not economically disadvantaged.

Fill out Column 5 or Column 6 of the spreadsheet. For each student from an economically disadvantaged background, provide either:

Column 5: the student's EFC and the **award year associated with the EFC** which coincides with the selected 12-month period (in Columns 5a and 5b)

OR

Column 6: the student's AGI, family size, and calendar year which coincide with the selected 12-month period (in Columns 6a, 6b, and 6c)

Instructions for Box B (located in the shaded area)

◆ Count the number of X's that appear in Column 4. This is **B1** in the calculation. Record this number in Box B of the Economically Disadvantaged Rate spreadsheet. This is the number of students from economically disadvantaged backgrounds.

◆ Count the number of students listed in Column 1. The total number of students will be **B2** in the calculation. Record this number in Box B of the Economically Disadvantaged Rate spreadsheet. This is the number of students enrolled at the school.

◆ Calculate **100 x B1/B2** and record the result in Box B on the Economically Disadvantaged Rate spreadsheet. **This percentage is the school's economically disadvantaged rate.**

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Sample Economically Disadvantaged Rate Spreadsheet

School Name: College University
OPE ID Number: 222111
12-month Period: 10/1/1995-9/30/1996
Award Years: 1995/1996 and 1996/1997
Calendar Years: 1995 and 1996

FY 1997
Economically Disadvantaged Rate

Note: This is a sample spreadsheet. (See instructions).

Box B

# of Economically Disadvantaged Students (from Column 4) **[B1]**	180
# of Students (from Column 1) **[B2]**	250
Economically Disadvantaged Rate [100 x B1/B2]	72.0%

1. Student's SSN (sort in numerical order)	**2. Student's name**	**3. Student's enrollment dates** (from MM/DD/CCYY to MM/DD/CCYY)	**4. If student qualifies as economically disadvantaged enter X**	**5a. If column 4 is marked and economically disadvantaged is based on EFC, enter EFC**	**5b. If column 5a has an EFC, enter EFC's award year**	**6a. If column 4 is marked and economically disadvantaged is based on AGI, enter AGI**	**6b. If column 6a has an AGI, enter family size**	**6c. If column 6a has an AGI, enter calendar year**
111-11-1111	Jane Smith	3/15/1995-3/10/1996	X	$1,000.00	1995/1996			
222-22-2222	John Doe	6/16/1995-10/3/1995	X			$4,200.00	1	1995
333-33-3333	Chris Jones	12/15/1995-3/4/1996						

11/01/1999

[send to U.S. Department of Education's Default Management Division at the address located on page 224.]

Page 1 of 10 pages

Instructions for Completion Rate Spreadsheet

Count and list the students who will be included in the calculation of the school's completion rate using a spreadsheet software application such as Lotus 1-2-3, Supercalc, or Excel. The resulting spreadsheet must be sent to the Department.

The spreadsheet width should be on 8 ½" x 11" paper in a landscape (horizontal) layout. A sample spreadsheet follows these instructions.

Header:	Enter **FY 1997 Completion Rate** in the center of the header area. In the left-hand area, enter the school's name, the school's OPE ID number, and the school's selected 12-month period.
Note	A school **must base the completion rate on the same 12-month period used for the school's economically disadvantaged rate. However, the students contained in each rate will NOT be the same.**
Footer:	Enter the date the written assertion was prepared in the left side of the footer area. Set up automatic pagination in the right side of the footer area so that the specific pages and the total number of page numbers show on each page (example: page 1 of 10 pages).

On Rows 1, 2, 3, and 4, use the draw tool to draw a rectangle covering lines A1 to J4. Using the text-box tool, draw another box for **Box D** information. In this box, enter the number of students who successfully completed their programs (from Column 5) **(D1)**, the number of entries listed in Column 1 **(D2)**, and the school's completion rate **(100 x D1/D2)**. See the instructions for Box D.

On Row 5, enter **exactly** the same column names in **exactly** the same order as listed on the sample spreadsheet.

On Row 6 and below, include the following data for each regular student who will be included in the school's completion rate.

Column 1:	Enter the regular student's Social Security Number using hyphens to separate the numbers (example: 000-00-0000) for all of the school's regular students who meet the conditions identified on page 210. Sort in numerical order when ready to print the spreadsheet.
Column 2:	Enter the regular student's name.
Column 3:	Enter MM/DD/CCYY (month, day, and year) to identify the date that each regular student was originally scheduled, at the time of enrollment, to complete his or her program of study.
Column 4:	Enter MM/DD/CCYY (month, day, and year) to identify the beginning and ending dates of the regular student's enrollment.
Column 5:	Enter X if the regular student meets one of the successful completion conditions as identified on page 211.
Column 6:	Enter the MM/DD/CCYY to identify the date the degree was received for each regular student who met the successful completion conditions by receiving a degree from a school.
Column 7a:	Enter the program of study for each regular student who met the successful completion conditions by transferring to a higher level educational program. Do NOT use abbreviations.
Column 7b:	Enter the MM/DD/CCYY to identify the transfer date for each regular student who met the successful completion conditions by transferring to a higher level educational program.
Column 7c:	Enter the name and address of the school to which the student transferred for each regular student who transferred to a higher level educational program.
Column 7d:	Enter the name of the higher-level educational program to which the student transferred for each regular student that transferred to a higher level program.
Column 8:	Enter the GPA for each regular student who met the successful completion conditions by remaining enrolled and maintaining satisfactory academic progress at the school at the end of the selected 12-month period.
Column 9:	Enter the date the regular student entered the U.S. Armed Forces for each student who met the successful completion conditions by entering into the U.S. Armed Forces.

Instructions for Box D (located in the shaded area):

- Count the number of Xs that appear in Column 5. The total number of Xs will be **D1** in the calculation. Record this number in **Box D** on the Completion Rate spreadsheet. **This is the number of regular students who successfully completed.**
- Count the number of regular students listed in the Completion Rate spreadsheet by counting the number of entries in Column 1. The total number of regular students will be **D2** in the calculation. Record this number in **Box D** in the Completion Rate spreadsheet. **This is the number of regular students who were scheduled to complete their programs during the selected 12-month period.**
- Calculate **100 x D1/D2** and record the result in **Box D** on the Completion Rate spreadsheet. **This percentage is the school's completion rate.**

Sample Completion Rate Spreadsheet

School Name: College University
OPE ID Number: 222111
12-month Period: 10/1/1995-9/30/1996

FY 1997
Completion Rate

Note: This is a sample spreadsheet. (See instructions).

Box D

# of Regular Students Who Met Successful Completion Conditions (from Column 5) **[D1]**	240
# of Regular Students Originally Scheduled to Complete Programs (from Column 1) **[D2]**	300
Completion Rate **[100 x D1/D2]**	80.0%

1. Student's SSN (sort in numerical order)	**2. Student's Name**	**3. Date that student was originally scheduled to complete program of study** (MM/DD/CCYY)	**4. Student's enrollment dates** (from MM/DD/CCYY to MM/DD/CCYY)	**5. If student met the successful completion conditions, enter X**	**6. Date the student's degree was received** (MM/DD/CCYY)	**7a. Student's program of study**	**7b. Date the student transferred to a higher level program** (MM/DD/CCYY)	**7c. The name and address of the school to which the student transferred**	**7d. The name and address of the school to which the student transferred**	**8. The student's grade point average**	**9. The date the student entered the U.S. Armed Forces** (MM/DD/CCYY)
111-11-1111	Judy Jones	02/20/1996	1/15/1995- 01/10/1996	X	01/10/1996						
222-22-2222	James Smith	03/26/1996	05/16/1995 07/15/1995								
333-33-3333	Helen Carr	12/06/1995	4/10/1994- present	X						3.8	
444-44-4444	Tony Paine	05/27/1996	6/26/1992- 03/10/1995	X		Sociology	03/10/1995	Mind School Erie, ME 55555	Psychology		
555-55-5555	Jim Brown	10/02/1995	10/01/1993 10/05/1995								10/30/1995

11/01/1999

[send to U.S. Department of Education's Default Management Division at the address located on page 224]

Page 1 of 11 pages

Sample **Independent Auditor's Attestation** Letter

Global Accounting
1212 Hickory Lane
Hughesville, Florida 12345-6789
(123) 456-7890

November 18, 1999

Sample Letter

OPE ID#: 222111

U.S. Department of Education
Default Management Division
Attn: Economically Disadvantaged and Completion Rate Appeal
ROB-3, Room 3905
600 Independence Avenue, S.W.
Washington, D.C. 20202-5353

Subject: Independent Auditor's Attestation

Dear Default Management Division:

We have examined management's assertions that the information contained in College University's **OPE ID# 222111** exceptional mitigating circumstances appeal based on its economically disadvantaged and completion rates, is complete, accurate and determined in accordance with the requirements of HEA § 435(a)(4)(A). Management is responsible for College University's compliance with those requirements. Our responsibility is to express an opinion on management's assertions about the institution's compliance based on our examination.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about College University's compliance with HEA § 435(a)(4)(A) and performing such other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on College University's compliance with specified requirements.

In our opinion, management's assertion that the information contained in College University's assertions, which reports that College University has an economically disadvantaged rate of 72.0% and a completion rate of 80.0% for the twelve-month period beginning on October 1, 1995 and ending on September 30, 1996, with the award years 1995/1996 and 1996/1997 and the calendar years 1995 and 1996 is complete, accurate, and determined in accordance with the requirements set forth in HEA § 435(a)(4)(A), is fairly stated, in all material respects.

This report is intended solely for the information of an audit committee, management, and the U.S. Department of Education. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

Mary Smith

Mary Smith, CPA
President, Global Accounting, Inc.

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Withdrawing an Appeal

GENERAL INFORMATION

Why would a school want to withdraw an appeal?

At various stages of the appeal process, a school may evaluate whether it is useful to continue with an appeal. For instance, after reviewing the responses received to its requests for information, a school might decide NOT to proceed with an appeal because it would not significantly change its official cohort default rate.

Note Section 435(a)(2)(A)(iii) of the Higher Eduation Act of 1965, as amended (HEA) requires that a school that submits an unsuccessful cohort default rate appeal pay the Secretary any interest, special allowance reinsurance, and other related or similar payments the Secretary is (or could be) obligated to pay as a result of FFEL Program and Direct Loan Program loans certified/delivered and originated/disbursed beginning 30 calendar days after the school received notification of its cohort default rate until it withdraws the cohort default rate appeal or receives notification that the cohort default rate appeal was unsuccessful. Therefore, a school should withdraw its appeal as soon as it determines that the appeal will be unsuccessful.

Q. If a school withdraws its appeal, will the Department return the appeal materials the school sent?

A. Yes, the Department will acknowledge the school's withdrawal, in writing, and return the school's appeal materials.

TIMING AND SUBMITTING

What are the time frames and procedures for withdrawing an appeal?

A school may withdraw its appeal at any time until the U.S. Department of Education (Department) issues a decision on the appeal.

Step 1: Prior to submitting an appeal to the Department, decide if the appeal will, by itself, or in combination with other appeals, reduce the school's cohort default rate(s) below any significant thresholds.

Example: After reviewing the responses from all of the entities that responded to its request for verification of erroneous data, School of Business determined that there were not any errors in its FY 1997 cohort default rate data, and its 27.2 percent official cohort default rate was accurate.

Note Please note that since an exceptional mitigating circumstances appeal does not alter a school's cohort default rate, a school's decision to withdraw its exceptional mitigating circumstances appeal should be based on whether or not the independent auditor can attest to the school's assertions that it meets the exceptional mitigating circumstances criteria.

Step 2: Notify the Department using the address on page 239 and simultaneously send a copy of the withdraw letter to each entity that responded to the school's request(s).

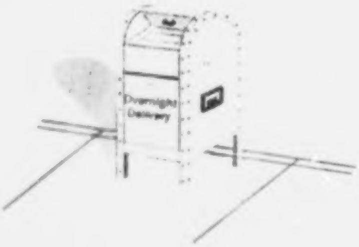
Example: School of Business wrote the Department that it was withdrawing its FY 1997 erroneous data appeal and simultaneously sent a copy of the withdrawal letter to all of the entities that responded to the school's request for verification of erroneous data.

Please refer to the sample **Withdrawing an Appeal** letter on page 241.

Note An appeal is withdrawn in its entirety, not on an agency-by-agency or servicer-by-servicer basis.

If sent by commercial overnight mail/courier delivery the withdrawal letter should be sent to:

U.S. Department of Education
Default Management Division
ATTN: Request for Withdrawal
ROB-3, Room 3905
7th and D Streets, SW
Washington, DC 20407



If sent by U.S. Postal Service mail the withdrawal letter should be sent to:

U.S. Postal Service

U.S. Department of Education
Default Management Division
ATTN: Request for Withdrawal
Portals Building, Room 6300
400 Maryland Avenue, SW
Washington, DC 20202-5353

Note The Department will not accept any appeal correspondence by facsimile (fax) or e-mail.

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Sample **Withdrawing An Appeal** Letter

School of Business
1212 Wedgewood Lane
Leonardtown, Wisconsin 12345-6789
123-456-7890

November 6, 1999

Sample Letter

U.S. Department of Education
Default Management Division
ATTN: Withdrawing an Appeal
Portals Building, Room 6300
400 Maryland Avenue, S.W.
Washington, DC 20202-5353

OPE ID#: 111222

Subject: Withdrawing an FY 1997 Erroneous Data Appeal

Dear Default Management Division:

School of Business, **OPE ID#** 111222, is withdrawing its FY 1997 appeal based on allegations of erroneous data.

Thank you for your consideration.

Sincerely,

Robert Young

Robert Young, President
School of Business

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cc: State Guaranty Agency

Information for Guaranty Agencies on Appeals

GENERAL INFORMATION

What role does a guaranty agency have in a school's appeal?

A school may write to a guaranty agency to obtain information to appeal the school's official cohort default rate. A guaranty agency is required to respond to a school's timely submitted request regarding Federal Family Education Loan (FFEL) Program loans for which the agency currently maintains the guaranty.[1] The guaranty agency must provide a copy of its response to the request to both the school and the U.S. Department of Education (Department). The response must be provided within the time frames specified by the Department's regulations and this Guide.

In preparing responses to inquiries, guaranty agencies should refer to the sample "Erroneous Data Response" section beginning on page 255 and the sample "Loan Servicing Records Response" section beginning on page 271.

Note There are two official cohort default rate appeal processes that do not involve guaranty agencies. Guaranty agencies are NOT required to respond to a school's inquiry regarding a request for adjustment and/or an exceptional mitigating circumstances appeal.

Please refer to page 253 for guidance if a school mistakenly sends a request for adjustment or an exceptional mitigating circumstances appeal to a guaranty agency.

Q. Who is responsible for responding to requests for information on loans currently held by the Department?

A. **The Department's Default Management Division** will respond to a school's requests for information regarding **FFEL Program loans currently held by the Department**.

The **Department's Direct Loan servicer** will respond to a school's requests for information regarding **Direct Loan Program loans**.

Q. Who should a guaranty agency contact if the agency's address, phone number, contact person, or e-mail address changes?

A. A guaranty agency should contact the Department's Default Management Division at the address listed in "Appendix C" if the guaranty agency's address, phone number, contact person, or e-mail address changes.

---

[1] 34 CFR §682.401(b)(15)

What if unforeseen circumstances prevent a guaranty agency from responding to a school's request within the required time period?

If a guaranty agency is unable to respond within the required time period, it should **send the school a letter** on its official letterhead—

- explaining the circumstances causing the delay,
- telling the school when it will respond,
- explaining that the time frame to submit an appeal to the Department does not begin until the school receives the guaranty agency's response,[2]

AND

- indicating that the Department has been informed of the delay.

Note If a school does NOT receive a response from a guaranty agency within the required time period, the school may notify the Department that it has not received the required response.

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[2] 34 CFR §668.17(c)(8)

What if a guaranty agency can only respond to a portion of a school's request within the required time period?

If a guaranty agency can respond to only a portion of a school's requested information within the required time frame, it should hold that portion of the response until it can provide a response to ALL of the school's requested information. The guaranty agency should send a letter to the school and the Department that provides the information outlined on the previous page. When ALL the needed data are gathered, the guaranty agency should send ALL of the data to the school in a single mailing.

Note If an eligible school is requesting information for three years of data, the guaranty agency should reply to the school in a single mailing.

What actions should a guaranty agency take when responding to a school's inquiry?

The Department recommends that when responding to schools' inquiries, a guaranty agency should:

- **thoroughly review this Guide.** This will ensure that the guaranty agency is aware of all the guidance and requirements associated with the cohort default rate appeal process.
- **send all correspondence to schools return receipt requested or via commercial overnight mail/courier delivery.** This will be useful to a guaranty agency and the Department in determining whether or not a school's response is timely.

- **maintain copies of documentation verifying the school's receipt of all cohort default rate appeal related material.** The Department will frequently call to request such documentation to determine a school's time frame to submit a cohort default rate appeal.

- **send a copy of any cohort default rate appeal related material mailed to a school to the Department's Default Management Division** using the address on page 249. The Department will use this material to make a determination on the school's cohort default rate appeal.

AND

- **retain copies of all cohort default rate appeal documents** provided to schools and the Department for a period of five years from the date the school's appeal was resolved by the Department.

Note

If a guaranty agency does not agree with the school's subsequent inquiry, the agency should indicate that its previous response was its final response and any subsequent inquiries should be directed to the Department's Default Management Division.

MONTHLY STATUS REPORTS

How does a guaranty agency notify the Department about the status of a school's request?

A guaranty agency must send the Department a copy of its response to a school's request. Please refer to pages 255 and 271 for guidance on how to respond to a school's erroneous data request and request for loan servicing records, respectively.

However, in addition to sending the Department a copy of the appeal-related correspondence sent to a school, each guaranty agency is requested to provide the Department with a monthly status report. The monthly status report provides the Department with an update on cohort-default-rate-related requests that guaranty agencies receive from schools after the release of the official cohort default rates. These status reports will assist the Department in monitoring the time frames associated with the cohort default rate appeal process.

The status report should be sent to the Department using the address on page 249 within **5 working days** of the end of each month. For example, the status report for October 1999 should be sent by November 5, 1999.

The report should be a **cumulative** listing of all cohort-default-rate-related requests, including subsequent letters received from the school and subsequent responses made by the agency. The report should reflect the date that the guaranty agency responded to the school's request, the tracking number associated with the agency's response, and the date the school received the response.

A guaranty agency may submit copies of its responses to schools' requests with its monthly report.

Once all responses have been provided to all schools and the guaranty agency has not received any subsequent requests, the guaranty agency should send the Department an updated status report marked "FINAL". After the guaranty agency sends the Department the final report, the guaranty agency does not need to send any more monthly status reports until the next official cohort default rates are released.

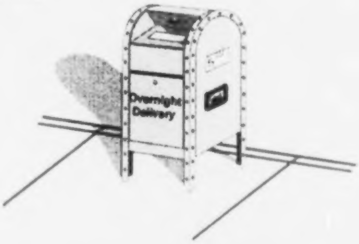
Note The monthly status report should be in order by:

1. OPE ID#
2. Appeal type
3. Fiscal year

Guaranty agencies should use the sample **Monthly Status Report** spreadsheet, on page 251, or its equivalent, to submit reports.

If sent by commercial overnight mail/courier delivery, send the monthly status report and all copies of letters sent to schools regarding the school's cohort default rate to:

U.S. Department of Education
Default Management Division
ROB-3, Room 3905
7th and D Streets, SW
Washington, DC 20407



If sent by U.S. Postal Service, send the monthly status report and all copies of letters sent to schools regarding the school's cohort default rate to:

U.S. Postal Service

U.S. Department of Education
Default Management Division
Portals Building, Room 6300
400 Maryland Avenue, SW
Washington, DC 20202-5353

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Instructions for **Monthly Status Report** Spreadsheet

Record all schools that requested cohort default rate information using a spreadsheet software application such as Excel, Lotus 1-2-3, or Supercalc. The resulting spreadsheet is sent to the Department.

The spreadsheet should be on 8 ½" x 11" paper in a landscape (horizontal) layout. A sample spreadsheet follows these instructions.

Header:	Enter **Monthly Status Report** in the center of the header area. In the left-hand area, enter the name of the guaranty agency and the guaranty agency three digit guarantor code.
Footer:	Enter the date in the left side of the footer area. Set up automatic pagination in the right side of the footer area so that the specific page number and the total number of pages show on each page, for example: page 1 of 10 pages.
Sort:	The report should be a cumulative listing of all cohort default rate related requests in order by: 1. OPE ID number 2. Appeal type 3. Fiscal year

On Row 1, enter exactly the same column names in exactly the same order as listed on the sample spreadsheet. Ensure that column names appear at the top of each page.

On Row 2 and below, include the following data for each school that has requested cohort default rate appeal related information.

Column 1:	Enter the school's six-digit OPE ID number.
Column 2:	Enter the school's name.
Column 3:	Enter the type of request. Use ER (erroneous data request) or LS (request for loan servicing records).
Column 4:	Enter the fiscal year(s) of the request. Use FY 1995, FY 1996, and/or FY 1997 to identify the applicable fiscal year(s).
Column 5:	Enter MM/DD/CCYY (month, date, year) to identify the date the guaranty agency mailed a response to the school.
Column 6:	Enter type of service delivery (i.e. Federal Express, U.S. Postal Service, Airborne Express, etc.) the guaranty agency used to deliver its response to the school.
Column 7:	Enter the tracking number assigned to the response by the delivery service.
Column 8:	Enter MM/DD/CCYY to identify the date the school signed for the response from the guaranty agency.
Column 9:	Enter comments in this column, if needed.

Sample **Monthly Status Report** Spreadsheet

State Guaranty Agency
111

Monthly Status Report

Note: This is a sample spreadsheet. See instructions on the previous page.

1. School's OPE ID number	2. School's Name	3. Type of request (ER or LS)	4. Fiscal year(s) being appealed (FY 1995, FY 1996 and/or FY 1997)	5. Date the guaranty agency mailed a response to the school (MM/DD/CCYY or leave blank)	6. Service type	7. Tracking Number	8. Date the school signed for the response from the guaranty agency (MM/DD/CCYY or leave blank)	9. Comments, if needed
000001	Training Institute	ER	FY 1997	11/09/1999	Federal Express	8200 0000 0000 0000	11/10/1999	Initial Request
000002	School of Business	LS	FY 1995, FY 1996, FY 1997					Initial Request
000003	Electrical Institute	ER	FY 1997	11/18/1999	Postal Service	8400 0000 0000 0000	11/20/1999	Initial Request
000003	Electrical Institute	LS	FY 1997	11/20/1999	Postal Service	8500 0000 0000 0000	11/21/1999	Initial Request
000003	Electrical Institute	LS	FY 1997					Supplemental Request

11/01/1999

[send to the U.S. Department of Education using the address shown on page 249.]

Page 1 of 1

REQUEST FOR ADJUSTMENT

A guaranty agency should NOT review a school's request for adjustment, since schools should submit all requests for adjustment directly to the Department.

If a guaranty agency receives a request for adjustment from a school, it should **immediately** contact the school to inform it that the request for adjustment must be sent to the Department at the address shown on page 71 of the "Request for Adjustment" section, and that the request must be sent to the Department within **30 calendar days** of the school receiving its official loan record detail report. The guaranty agency should also notify the Department's Default Management Division that it has contacted the school.

EXCEPTIONAL MITIGATING CIRCUMSTANCES APPEAL

A guaranty agency does NOT have a role in a school's appeal based on exceptional mitigating circumstances. An exceptional mitigating circumstances appeal is decided solely by the Department on the basis of information submitted by the school and on information maintained in the Department's records.

If a guaranty agency receives an exceptional mitigating circumstances appeal from a school, it should **immediately** contact the school and inform it that the exceptional mitigating circumstances appeal must be sent to the Department's Default Management Division at the address in "Appendix C" and that the appeal must be sent to the Department within the time frames specified in the "Exceptional Mitigating Circumstances Appeal" sections. The guaranty agency should also notify the Department's Default Management Division that it has contacted the school.

RESPONDING TO AN ERRONEOUS DATA REQUEST

How should a guaranty agency respond to a school's erroneous data request?

Time frames may overlap. Read ALL steps.

Step 1: Within **15 working days** of receiving the school's erroneous data request, a guaranty agency should **review this Guide to determine if the school's request is timely and if the school is eligible** to submit an erroneous data request.

Note The time frames and eligibility requirements associated with a school's erroneous data request are outlined in the "Erroneous Data Appeal" section beginning on page 77.

Step 2: **Within the time frame described in Step 1** (i.e., within 15 working days of receiving the school's erroneous data request), a guaranty agency should **notify the school and the Department if the school's erroneous data request is untimely or ineligible**.

◆ If the school did not send its erroneous data request within **10 working days** of the school receiving its official cohort default rate, the guaranty agency should NOT review any part of the school's erroneous data request. In its response to the school, the guaranty agency should explain that it is unable to review the request because the school missed the regulatory deadline.[3]

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[3] 34 CFR §668.17(c)(8)(i) and 668.17(i)

Note The Department mails official cohort default rates at an announced time and tracks schools' receipt of the rates. Before denying a school's erroneous data request on the basis of a late submission, a guaranty agency should contact the Department to verify the actual date the school received its official cohort default rate.

If the school's submission due date falls on a weekend or a federal holiday, a school may send its erroneous data request to the guaranty agency no later than the next federal business day.

- If a school that is **NOT subject to sanctions** submits an erroneous data request, the guaranty agency should NOT review any part of the school's erroneous data request. In its response to the school, the guaranty agency should explain that it is unable to review the request because the school is not subject to any sanctions due to its official cohort default rate.[4]
- If a school that is subject to **limitation, suspension, and/or termination (LS&T)** of all Title IV Student Financial Assistance Programs AND/OR **extended loss** of FFEL Program and/or Direct Loan Program and Federal Pell Grant Program eligibility submits an erroneous data request for its three most recent official cohort default rates, the guaranty agency should review the allegations and provide a response ONLY for the data associated with the most recent cohort default rate allegations (in this case FY 1997). In its response to the school, the guaranty agency should explain that it can review only the allegations associated with its most recent cohort default rate, because the school is not eligible to appeal any other cohort default rates.

---

[4] 34 CFR 668.17(c)(1)

Example: State Guaranty Agency received School of Business' FY 1997 erroneous data request. State Guaranty Agency checked to verify that the request was timely. The school received its official cohort default rate on September 30, 1999 and the erroneous data request was submitted on October 6, 1999. Because the request was submitted within 10 working days of the school's receipt of its official cohort default rate, the request was timely. The guaranty agency then verified that the school was eligible to submit the erroneous data request with the State Guaranty Agency. Since the school was subject to extended loss of eligibility to participate in the FFEL Program, the school was eligible to submit an erroneous data request for its FY 1997 cohort default rate.

Step 3: **Within the time frame described in Step 1** (i.e., within 15 working days of receiving the school's timely and eligible erroneous data request), a guaranty agency should **review each allegation** submitted by the school.

- **Determine if all relevant material is present** including, but not limited to:
    - a **spreadsheet** identifying the loans that the school is requesting the guaranty agency review;
    - a copy of **applicable pages from the relevant loan record detail report(s)**.

    Each erroneous data allegation must be accompanied by **at least one page** of a loan record detail report;

  - A school should include the page of the loan record detail report where the borrower appears, or where the borrower should appear. A school should provide both pages of the loan record detail report if the borrower appears or should appear at the end of one page or at the beginning of the next page.

  - If the borrower is moved from one year to another, a school should include the page of the loan record detail report where the borrower currently appears, and the page of the loan record detail report where the borrower should appear.

- relevant **supporting documentation** including, but not limited to:

  - a signed and dated copy of a **letter to the relevant lender or guaranty agency** that informs the entity of the borrower's last date of attendance with proof that the relevant lender or guaranty agency received the letter in a timely manner;

    AND/OR

  - a signed and dated copy of a **Student Status Confirmation Report (SSCR)** or an **NSLDS SSCR screen print** that timely informs and confirms the borrower's last date of attendance;

    AND/OR

- a copy of a **cancelled check**, front and back, or other documentation showing that the borrower's loan was cancelled in-full within 120 days of disbursement by the lender.

Example: Upon reviewing the material submitted with the erroneous data request, State Guaranty Agency verified that all of the requested items for the allegation were present on the spreadsheet including the LDA, DER, CPD and FY and determined that the applicable pages from the relevant loan record detail report(s) were present. In addition, School of Business submitted supporting documentation for each allegation.

Note If a school fails to provide the guaranty agency with all the necessary information, the guaranty agency may ask the school to submit the missing information. However, the school must submit this additional information to the guaranty agency within the 10 working day deadline for submitting requests for verification of error.

◆ **Research each allegation** to determine if documentation maintained by the guaranty agency supports or refutes the school's allegation.

◆ **Make a determination** on each allegation listed on the school's spreadsheet.

  ❖ **Agree** with the school if the documentation maintained by the guaranty agency supports the school's claim.

  OR

- **Disagree** with the school if the documentation maintained by the guaranty agency refutes the school's claim.

There are a number of reasons why a guaranty agency might not agree with the school's allegations of error. For example, the school might have:

- made only **general allegations** about the loan record detail report and/or the official cohort default rate calculation;
- failed to provide evidence that the guaranty agency was **timely notified of a change in status for the borrower**;
- failed to provide **supporting documentation** for an allegation;

AND/OR

- **failed to challenge data during the draft data challenge process**, and the alleged errors are NOT new data included in the official loan record detail report.

Note Schools may only submit an erroneous data request if the data associated with the potential error is disputed data or incorrect new data. Disputed data and incorrect new data are described in detail in the "Erroneous Data Appeal" section beginning on page 83.

Example: School of Business wants Robin Shifflette's FFEL Program Stafford loan moved from the FY 1997 official cohort default rate to FY 1996 official cohort default rate. The school submitted a copy of the FY 1996 official loan record detail report verifying that Robin was not included in the school's FY 1996 official cohort default rate and a copy of the FY 1997 official loan record detail report where the borrower is currently listed. School of Business also submitted a March, 1996 letter, signed by the financial aid administrator, that was sent to Robin's lender and timely informed the lender of Robin's February 26, 1996 last date of attendance. School of Business also included a copy of the delivery service verification that the lender received the letter.

According to State Guaranty Agency's records, the lender's records confirm that the proper timely notification of Robin's change in enrollment status was provided. As a result, the agency agreed that Robin should be moved from the school's FY 1997 official cohort default rate to the school's FY 1996 official cohort default rate.

Step 4: **Within the time frame described in Step 1** (i.e., within 15 working days of receiving the school's erroneous data request), a guaranty agency should **compile a list** of the guaranty agency's responses to the school's alleged errors.

- Record the responses to each of the school's alleged errors using the sample **Erroneous Data Response** spreadsheet.

  Please refer to pages 269 and 268 for a sample spreadsheet and detailed instructions on how to complete the spreadsheet.

- **Provide comments** on why the guaranty agency agrees or disagrees with each of the school's allegations.

Note: If a borrower has multiple loans guaranteed and currently held by the guaranty agency, the guaranty agency must address all of the borrower's loans associated with the school in question.

Due date for responding to a request from the school.

Step 5: **Within the time frame described in Step 1** (i.e., within 15 working days of receiving the school's erroneous data request), a guaranty agency **should send the school a response to its erroneous data request and also send a copy of the response to the Department**.

The Department recommends that:

- all guaranty agencies submit the completed response to the school's erroneous data request using the sample **Erroneous Data Response** letter shown on page 267;
- all guaranty agencies include the spreadsheet created in Step 4 in its response;

AND

Note Guaranty agencies should only provide the Department's Default Management Division with a copy of the response letter and spreadsheet. Guaranty agencies do not need to provide copies of supporting documentation to the Department's Default Management Division

- the response should be compiled in a single tabbed binder and mailed return receipt requested or via overnight courier delivery to the school with a copy to the Department.

Note If an eligible school is requesting information for three years of data, the guaranty agency should reply to the school in a single mailing.

The recommended materials for the guaranty agency response are shown on page 265.

Step 6: **Respond to any subsequent inquiries** from a school within **5 working days** of the receipt of the school's timely inquiry and send a copy of the response letter to the Department.

If a guaranty agency does not agree with the school's subsequent inquiry, the agency should indicate that its previous response was its final response and any subsequent inquiries should be directed to the Department's Default Management Division.

Note Schools must submit subsequent inquiries within **5 working days** of receiving the agency's response to its initial inquiry.

A guaranty agency should send the following to the school:

Component 1

The section behind Component 1 contains:

A **letter** on the guaranty agency's official letterhead with—

- the school's **OPE ID number**;
- the school's **name**;
- a statement indicating that the guaranty agency is responding to the school's **erroneous data request**;
- the **fiscal year** to which the response applies;
- the **signature** of the guaranty agency official, followed by a signature block providing the **signer's name and job title**

  AND
- an indication that a copy was **sent to the Department**.

Guaranty agencies should use the sample **Erroneous Data Response** letter on page 267.

Component 2

The section behind Component 2 contains:

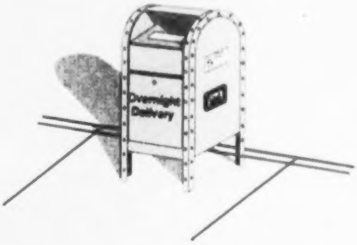
A list, in **spreadsheet** format, of the guaranty agency's responses to the school's alleged errors.

Guaranty agencies should use the sample **Erroneous Data Response** spreadsheet on page 269. A guaranty agency must provide **data on each of the elements** listed on the sample spreadsheet.

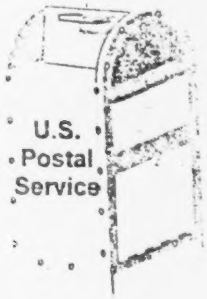
Note If a borrower has **multiple loans**, the guaranty agency must address all of the borrower's loans associated with the school in question.

If sent by commercial overnight mail/courier delivery, send the Department's copy of the erroneous data response to:

U.S. Department of Education
Default Management Division
ROB-3, Room 3905
7th and D Streets, SW
Washington, DC 20407

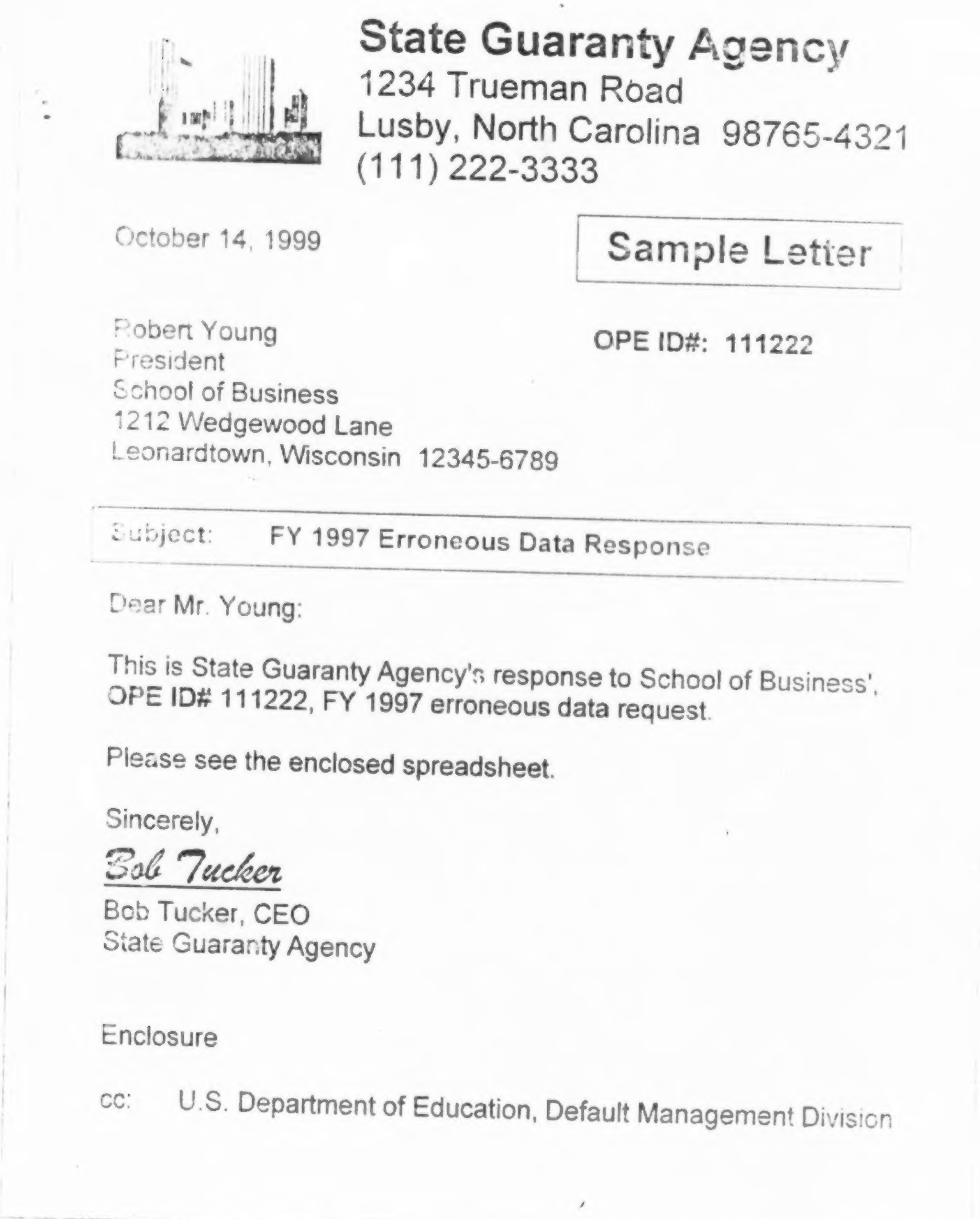


If sent by U.S. Postal Service, send the Department's copy of the erroneous data response to:



U.S. Department of Education
Default Management Division
Portals Building, Room 6300
400 Maryland Avenue, SW
Washington, DC 20202-5353

Sample **Erroneous Data Response** Letter



State Guaranty Agency
1234 Trueman Road
Lusby, North Carolina 98765-4321
(111) 222-3333

October 14, 1999

Sample Letter

Robert Young
President
School of Business
1212 Wedgewood Lane
Leonardtown, Wisconsin 12345-6789

OPE ID#: 111222

Subject: FY 1997 Erroneous Data Response

Dear Mr. Young:

This is State Guaranty Agency's response to School of Business', OPE ID# 111222, FY 1997 erroneous data request.

Please see the enclosed spreadsheet.

Sincerely,

Bob Tucker

Bob Tucker, CEO
State Guaranty Agency

Enclosure

cc: U.S. Department of Education, Default Management Division

Instructions for Erroneous Data Response Spreadsheet

Record all loans for which the school submitted an erroneous data request using a spreadsheet software application such as Excel, Lotus 1-2-3, or Supercalc. The resulting spreadsheet is sent to the school that submitted the request and to the Department.

Note Fill out a separate spreadsheet **for each school** submitting an erroneous data request.

The spreadsheet should be on 8 ½" x 11" paper in a landscape (horizontal) layout. A sample spreadsheet follows these instructions.

Header: Enter **FY *[insert year(s)]* Erroneous Data Response** in the center of the header area. In the left-hand area, enter the guaranty agency name, school's name, and the school's OPE ID number.

Footer: Enter the date in the left side of the footer area. Set up automatic pagination in the right side of the footer area so that the specific page number and the total number of pages show on each page, for example page 1 of 10 pages.

Sort: The borrowers listed on the spreadsheet should be sorted by:

1. Borrower's Social Security number
2. Loan type.

Note The guaranty agency should only respond to the borrowers listed on the school's spreadsheet.

On Row 1, enter exactly the same column names in exactly the same order as listed on the sample spreadsheet. Ensure that column names appear at the top of each page.

On Row 2 and below, include the following data for each loan for which the school submitted an erroneous data request.

Column 1: Enter the borrower's Social Security number (SSN) using hyphens to separate the numbers (example: 000-88-0000).

Note If a borrower has multiple loans, the guaranty agency must address all of the borrower's loans associated with the school in question.

Column 2: Enter the borrower's name.

Column 3: Enter Disputed (Disputed Data) or New (Incorrect New Data) to identify if errors are alleged on the basis of unresolved data from the draft data challenge process or incorrect new data.

Column 4: Enter the loan type. Use the following codes to identify the type of loan.

Loan Type Codes

Code	Description
D1	Direct Loan Subsidized Stafford Loan
D2	Direct Loan Unsubsidized Stafford Loan
SF	FFEL Subsidized Stafford Loan
SL	Supplemental Loans for Student Loan
SU	FFEL Unsubsidized Stafford Loan

Column 5: Enter MM/DD/CCYY (month, date, year) to identify the **EARLIER** of LTH (less-than-half-time) enrollment or LDA (last date of attendance).

Column 6: Enter MM/DD/CCYY to identify the date the loan entered repayment.

Column 7: Enter MM/DD/CCYY to identify the CPD (claim paid date), DD (default date), or ICRD (income contingent repayment date). Leave blank if the borrower did not default.

Column 8: Enter the recommended fiscal years to which a change should be made.

Column 9: Enter N (numerator), D (denominator), or B (both numerator and denominator) with a negative or positive sign (-D or +D) to indicate the effect on the CDR (cohort default rate) calculation. If there is no effect, enter None.

Column 10: **Enter any comments. If the guaranty agency disagrees, a comment must be made in this section to identify why the guaranty agency disagreed.**

Sample **Erroneous Data Response** Spreadsheet

State Guaranty Agency
School of Business
OPE ID 111222

FY 1997 Erroneous Data Response

1. Borrower's SSN	2. Borrower's Name	3. Basis of allegation of error (Disputed or new)	4. Type of loan (Use codes on instructions)	5. Earlier of LTH or LDA (MM/DD/CCYY)	6. Date entered repayment (DER) (MM/DD/CCYY)	7. CPD, DD, ICRD, or N/A (MM/DD/CCYY or leave blank)	8. FY(s) appl.	9. Effect on CDR calc. (N,D or B)	10. Comments
111-11-1111	Robin Shifilette	New	SF	02/26/1996	08/27/1996	07/28/1998	FY 1997 FY 1996	-B +D	Agree

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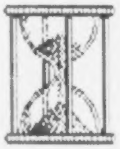
10/14/1999

Page 1 of 1

RESPONDING TO A REQUEST FOR LOAN SERVICING RECORDS

How should a guaranty agency respond to a school's request for loan servicing records?

Step 1: Within **15 working days** (or **30 calendar days** if the guaranty agency does NOT charge for loan servicing records AND the school is NOT subject to the loss of FFEL Program and/or Direct Loan Program and Federal Pell Grant Program eligibility) of receiving the school's request for loan servicing records, a guaranty agency should **review this Guide to determine if the school's request is timely and if the school is eligible** to request loan servicing records.



Time frames may overlap. Read ALL steps.

Note: The time frames and eligibility requirements associated with a school's request for loan servicing records are outlined in the "Improper Loan Servicing and Collection Appeal" section beginning on page 111.

Step 2: **Within the time frames described in Step 1** [i.e., within 15 working days (or 30 calendar days if the guaranty agency does NOT charge for loan servicing records AND the school is NOT subject to the loss of FFEL Program and/or Direct Loan Program and Federal Pell Grant Program eligibility) of receiving the school's request for loan servicing records], a guaranty agency should **notify the school and the Department if the request for loan servicing records is untimely or ineligible.**

- If the school did not send its request for loan servicing records within **10 working days** of the school receiving its official cohort default rate, the guaranty agency should NOT provide the requested records. In its response to the school, the guaranty agency should explain that it is unable to send any loan servicing records because the school missed the regulatory deadline.[5]

---

[5] 34 CFR §668.17(h)(3)(ii)

Note The Department mails official cohort default rates at an announced time and tracks the schools' receipt of the rates. Before denying a school's request for loan servicing records on the basis of a late submission, a guaranty agency should contact the Department to verify the actual date the school received its official cohort default rate.

If the school's submission date falls on a weekend or a federal holiday, a school may send its request for loan servicing records to the guaranty agency no later than the next federal business day.

◆ If a school submits a request for loan servicing records and **the school's most recent official cohort default rate is 19.9 percent or below**, the guaranty agency should NOT provide the requested records. In its response to the school, the guaranty agency should explain that it is unable to send the records because only schools that have an official cohort default rate equal to or greater than 20.0 percent may appeal on the basis of improper loan servicing and collection.[6]

◆ If a school that is subject to **LS&T** of Title IV Student Financial Assistance Programs (but is not subject to initial loss of loan and grant program eligibility) AND/OR **extended loss** of FFEL Program and/or Direct Loan Program, and Federal Pell Grant Program eligibility requests loan servicing records for any of its three most recent official cohort default rates, the guaranty agency should provide the loan servicing records ONLY for the school's most recent cohort default rate (in this case FY 1997). In its response to the school, the guaranty agency should explain that it can only send the loan servicing records associated with the most recent cohort default rate because the school is not eligible to request loan servicing records for any other cohort default rates.

---

[6] 34 CFR §668 17(h)(1)

◆ If a **school fails to provide the guaranty agency with the applicable official loan record detail report(s)** as identified in the "Improper Loan Servicing and Collection Appeal" section beginning on page 111, the guaranty agency should write to the school requesting that the official loan record detail report(s) be provided within **5 working days** of receipt of the request. If the school does NOT provide the applicable loan record detail report(s) within 5 working days of receiving the guaranty agency's request, the guaranty agency should write to the school explaining that it cannot respond to the school's request.

◆ If a school **requests specific loan servicing records**, the guaranty agency should notify the school that the agency is required to provide a **representative sample** of loan servicing records, which may or may not include the specific records requested by the school.

Note The guaranty agency may notify a school that specific records cannot be requested at the time it requests payment for the records or if the school does not require payment for the records at the time the actual loan servicing records are provided.

Step 3: **Within the time frames provided in Step 1** [i.e. 15 working days (or 30 calendar days if the guaranty agency does NOT charge for loan servicing records AND the school is NOT subject to the loss of FFEL Program and/or Direct Loan Program and Federal Pell Grant Program eligibility) of receiving the school's request for loan servicing records], a guaranty agency must identify a representative sample of defaulted loans included in the relevant cohort default rate calculation of the cohort default rate being challenged by the school.

To determine the **representative sample** of defaulted loans, a guaranty agency must identify, from the official loan record detail report provided by the school, **all** of a school's defaulted student loan **borrowers** included in the relevant cohort period who have loans currently guaranteed by the agency.

If a guaranty agency identifies:

- **0 borrowers**, the guaranty agency should send a letter to the school informing the school that there were no defaulted loans currently guaranteed by the agency in the school's official cohort default rate;
- **99 or fewer borrowers**, the guaranty agency is required to send the loan servicing records associated with **ALL** of the borrowers' defaulted **loans** that are currently guaranteed by the agency and are included in the school's official cohort default rate;

  OR
- **100 or more borrowers**, the guaranty agency may identify a **representative sample,** such that the universe estimate derived from the sample is acceptable at a 95 percent confidence level with a plus or minus 5 percent confidence interval.[7] The representative sample should be based on the borrowers included in the official cohort default rate and should include ALL of the defaulted loans in the cohort default rate calculation associated with each of the borrowers included in the sample.

Note The Department has provided guidance to guaranty agencies on how to determine a representative sample. Guaranty agencies should refer to the Dear Guaranty Agency Director letter dated June, 1994 for information on determining appropriate sample sizes. A copy of the Dear Guaranty Agency Director letter can be obtained by contacting the Default Management Division at 202-708-9396.

Due date for responding to a request from the school.

Step 4: Within **15 working days** of receiving the school's request for loan servicing records, a guaranty agency that chooses to charge for loan servicing records must provide the following to the school and send a copy of the response to the Department:

---

[7] 34 CFR § 668.17(h)(3)

- a **list of the borrowers** and the number of the borrowers' defaulted loans included in the representative sample;

  AND

- a **request for payment** for the records for the borrowers identified in the representative sample.

Note A guaranty agency may charge a reasonable fee for copying and providing the documents not to exceed $10.00 per borrower file.[8]

If the guaranty agency does NOT charge for loan servicing records, it should proceed to Step 6 on page 276.

Step 5: Notify the school and the Department if the payment for loan servicing records is untimely or incomplete.

- If the school does not send its payment for loan servicing records to the guaranty agency within **15 working days** of the school receiving the guaranty agency's request for payment, the guaranty agency should NOT provide the records to the school. In a letter to the school, the guaranty agency should explain that it is unable to provide any loan servicing records because the school failed to submit the payment within the required time frame.[9]

Note If the school's submission date falls on a weekend or a federal holiday, a school may send its payment for the loan servicing records to the guaranty agency no later than the next federal business day.

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[8] 34 CFR §668.17(h)(3)

[9] Id

- If a school submits a timely payment for the loan servicing records but the **payment is not sufficient**, the guaranty agency should NOT provide the records to the school. In a letter to the school, the guaranty agency should explain that it is unable to provide any loan servicing records because the school failed to submit full payment for the records.

Due date for responding to a request from the school.

Step 6: Submit the representative sample of the loan servicing records to the school within the applicable time frame.

- If the guaranty agency requested payment for the loan servicing records, the guaranty agency must provide the loan servicing records to the school within **15 working days** of the receipt of the school's timely submitted payment.

- If the guaranty agency did not request payment for the loan servicing records BUT the school is subject to the loss of FFEL Program and/or Direct Loan Program and Federal Pell Grant Program eligibility, the guaranty agency must provide the loan servicing records to the school within **15 working days** of the receipt of the school's request for records.

OR

- If the guaranty agency did not request payment for the loan servicing records and the school is NOT subject to the loss of FFEL Program and/or Direct Loan Program and Federal Pell Grant Program eligibility, the guaranty agency must provide the loan servicing records to the school within **30 calendar days** of the receipt of the school's request for records.

Note A guaranty agency must provide copies of **all defaulted loans** included in the cohort default rate calculation for **each borrower** included in the sample.

The Department recommends that:

- all guaranty agencies submit the completed response to the school's request for loan servicing records by using the sample **Loan Servicing Records Response** cover letter shown on page 281.

Note If an eligible school is requesting information for three years of data, the guaranty agency should reply to the school in a single mailing.

- the response be mailed return receipt requested or via overnight/courier delivery to the school. A copy of the response should be sent to the Department using the address on page 280.

Note The guaranty agency should only provide the Department's Default Management Division with a copy of the response letter and list of borrowers. Guaranty agencies do not need to provide copies of the loan servicing records to the Department.

AND

- the guaranty agency assist schools in reading the collection history by identifying all the loans for each borrower and the collection activities for each loan noted in 34 CFR §668.17(h)(3)(viii). This may be done by highlighting the collection activities in the actual collection records provided to the school.

The recommended materials for the guaranty agency response are shown on page 279.

Step 7: Respond to any **subsequent inquiries** from a school regarding missing or illegible loan servicing records within **5 working days** of the receipt of the school's timely inquiry and send a copy of the response letter to the Department.

Note Schools must submit subsequent inquiries within **5 working days** of receiving the agency's response to its initial inquiry.

Q. What is considered a "missing" or "illegible" loan servicing record?

A. A school may request additional documentation if the loan servicing record in question does not have the necessary material present to determine if the elements specified in 34 CFR. § 668.17(h)(3)(viii) were conducted. However, a loan servicing record is not considered missing or illegible if all the necessary elements noted in 34 CFR. §668.17(h)(3)(viii) can be identified. Nor is a loan servicing record considered missing or illegible if collection history documents are present and legible.

A guaranty agency should send the following to the school:

Component 1

The section behind Component 1 contains:

A **letter** on the guaranty agency's official letterhead with—

- the school's **OPE ID number**,
- the school's **name**,
- a statement indicating that the guaranty agency is responding to the school's **request for loan servicing records**,
- the **fiscal year** to which the request for loan servicing records applies,
- the **signature** of the guaranty agency official, followed by a signature block providing the signer's name and job title,

  AND
- an indication that a copy of the letter and list was **sent to the Department**.

Guaranty agencies should use the sample **Loan Servicing Records Response** cover letter on page 281.

Component 2

The section behind Component 2 contains:

A **list** of the borrowers and of each of the borrower's loans included in the representative sample. This list should include the borrower's:

- Name,
- Social Security number,

  AND
- Loan Type(s).

Note If a borrower has **multiple loans**, a guaranty agency must provide the loan servicing records associated with each of the borrower's defaulted loans included in the cohort default rate calculation.

The section behind Component 3 contains:

Copies of **ALL loan servicing records** relating to loans included in the representative sample.

Note A guaranty agency does NOT need to send loan servicing records to the Department.

If sent by commercial overnight mail/courier delivery, send the Department's copy of the loan servicing records response to:

U.S. Department of Education
Default Management Division
ROB-3, Room 3905
7th and D Streets, SW
Washington, DC 20407

Overnight Delivery

If sent by U.S. Postal Service, send the Department's copy of the loan servicing records response to:

U.S. Postal Service
Postal Service

U.S. Department of Education
Default Management Division
Portals Building, Room 6300
400 Maryland Avenue, SW
Washington, DC 20202-5353

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Sample **Loan Servicing Records Response** Letter

State Guaranty Agency
1234 Trueman Road
Lusby, North Carolina 98765-4321
(111) 222-3333

Sample Letter

November 18, 1999

Robert Young
President
School of Business
1212 Wedgewood Lane
Leonardtown, Wisconsin 12345-6789

OPE ID#: 111222

Subject: FY 1997 Loan Servicing Records Response

Dear Mr. Young:

This is State Guaranty Agency's response to School of Business', **OPE ID# 111222, FY 1997 request for loan servicing records.**

Please see the enclosed list and loan servicing records.

Sincerely,

Bob Tucker

Bob Tucker, CEO
State Guaranty Agency

Enclosure

cc: U.S. Department of Education, Default Management Division

Appendix A

Guaranty Agency Contacts

◆

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Numerical Guaranty Agency Contacts

The contact list that follows contains the names, addresses, telephone numbers, e-mail and website addresses (if available) and points of contact for **FFEL Program loans** being addressed in the cohort default rate appeal process. The list is in **numerical order** by the three digit guarantor/servicer code as identified on the loan record detail report followed by the name of the state or territory primarily associated with the identified guaranty agency.

If the three-digit code is not known, see page 15 (Appendix A2) for an alphabetical listing of guaranty agency contacts by the state or territory in which it is the primary guarantor.

555 U.S. Department of Education

U.S. Department of Education
Default Management Division
ROB-3, Room 3905
7th & D Streets, SW
Washington, DC 20407

(202) 708-9396
OSFA_IPOS_Default_Management_
Division@ed.gov
http://www.ed.gov

Note This is the address for **FFEL Program loans currently maintained by the Department**. For the Direct Loan Program loans address, see Appendix B.

611 District of Columbia

American Student Assistance Corporation
Attn: Cohort Section
330 Stuart Street
Boston, MA 02116

Ms. Sue Pottenger
(800) 999-9080 ext. 3209
pottenger@amsa.com
http://www.amsa.com

620 Kansas

USA Group Guarantee Services
Attn: Ms. Kristi Mueller
11100 USA Parkway
Fishers, IN 46038

Ms. Kristi Mueller
(317) 595-1315
kmueller@usagroup.com
http://www.usagroup.com

627 U.S. Department of Education

U.S. Department of Education
Default Management Division
ROB-3, Room 3905
7th & D Streets, SW
Washington, DC 20407-5353

(202) 708-9396
OSFA_IPOS_Default_Management_Division@ed.gov
http://www.ed.gov

Note This is the address for **FFEL Program loans currently maintained by the Department**. For the Direct Loan Program loans address, see Appendix B.

631 U.S. Department of Education

U.S. Department of Education
Default Management Division
ROB-3, Room 3905
7th & D Streets, SW
Washington, DC 20407-5353

(202) 708-9396
OSFA_IPOS_Default_Management_Division@ed.gov
http://www.ed.gov

Note This is the address for **FFEL Program loans currently maintained by the Department**. For the Direct Loan Program loans address, see Appendix B.

654 West Virginia

Pennsylvania Higher Education Assistance Agency
Attn: Program Review
1200 North 7th Street
HQ4
Harrisburg, PA 17102-1444

Ms. Lisa Hoffman
(717) 720-2180
lhoffman@pheaa.org
http://www.pheaa.org

656 Wyoming

USA Group Guarantee Services
Attn: Ms. Kristi Mueller
11100 USA Parkway
Fishers, IN 46038

Ms. Kristi Mueller
(317) 595-1315
kmueller@usagroup.com
http://www.usagroup.com

701 Alabama

Kentucky Higher Education Assistance Authority
Attn: Manager, Policy and Client Services Branch
1050 U.S. 127 South
Frankfort, KY 40601-4323

Ms. Kristi M. Green
(502) 696-7270
kgreen@kheaa.com
http://www.kheaa.com

702 Alaska

USA Group Guarantee Services
Attn: Ms. Kristi Mueller
11100 USA Parkway
Fishers, IN 46038

Ms. Kristi Mueller
(317) 595-1315
kmueller@usagroup.com
http://www.usagroup.com

705 Arkansas

Student Loan Guaranty Foundation of Arkansas
Attn: Special Projects Coordinator
219 South Victory
Little Rock, AR 72201-1884

Ms. Brenda Steele
(501) 688-7648
bsteele@slgfa.org
http://www.slgfa.org

706 California

EDFUND
Attn: Loan Detail Information Office
Cohort Default Rate Appeals and Disputes
3300 Zinfandel Drive
P.O. Box 419045
Rancho Cordova, CA 95741-9045

Ms. Kevis Foley-Bumgardner
(916) 526-8068
kfoley@edfund.org
http://www.edfund.org

708 Colorado

Colorado Student Loan Program
Attn: Compliance, Training, and Investigative Branch
Assistant Manager of Marketing and Appeals
999 18th Street, Suite 425
Denver, CO 80202-2471

Mr. Chris Lines
(303) 305-3358
clines@cslp.org
http://www.cslp.org

709 Connecticut

Connecticut Student Loan Foundation
Attn: Manager of Guarantee Operations
P.O. Box 1009
525 Brook Street
Rocky Hill, CT 06067

Ms. Sandy Barsom
(860) 257-4001 ext. 247
sbarsom@mail.cslf.org
http://www.cslf.com

710 Delaware

Pennsylvania Higher Education Assistance Agency
Attn: Program Review
1200 North 7th Street
HQ4
Harrisburg, PA 17102-1444

Ms. Lisa Hoffman
(717) 720-2180
lhoffman@pheaa.org
http://www.pheaa.org

712 Florida

Florida Department of Education
Office of Student Financial Assistance
Attn: Ms. Jean Perkins
325 West Gains Street
255 Collins Building
Tallahassee, FL 32399-0400

Ms. Jean Perkins
(850) 488-7043
perkinj2@mail.doe.state.fl.us

713 Georgia

Georgia Higher Education Assistance Corporation
Attn: Program Administration
2082 East Exchange Place, Suite 200
Tucker, GA 30084-5305

Ms. Carole Jones
(770) 724-9137
carole@mail.gsfc.state.ga.us
http://www.gsfc.org

716 Idaho

Northwest Education Loan Association
Attn: School Compliance Representative
500 Coleman Building
811 First Avenue
Seattle, WA 98104

Ms. Linda Shannon
(206) 461-5325
lindas@nela.net
http://nela.net

717 Illinois

Illinois Student Assistance Commission
Attn: Compliance Analyst
1755 Lake Cook Road
Deerfield, IL 60015-5209

Ms. Terry Dallas
(847) 948-8500 ext. 4302
tdallas@yahoo.com
http://www.isac1.org

718 Indiana

USA Group Guarantee Services
Attn: Ms. Kristi Mueller
11100 USA Parkway
Fishers, IN 46038

Ms. Kristi Mueller
(317) 595-1315
kmueller@usagroup.com
http://www.usagroup.com

719 Iowa

Iowa College Student Aid Commission
Attn: Associate Director, Claims and Collections
200 10th Street, 4th Floor
Des Moines, IA 50309-3609

Mr. Brian Mohr
(515) 242-6698
brian.mohr@csac.state.ia.us
http://www.state.ia.us/government/icsac

721 Kentucky

Kentucky Higher Education Assistance Authority
Attn: Manager, Policy and Client Services Branch
1050 U.S. 127 South
Frankfort, KY 40601-4323

Ms. Kristi M. Green
(502) 696-7270
kgreen@kheaa.com
http://www.kheaa.com

722 Louisiana

Louisiana Office of Student Financial Assistance
Attn: Program Review
P.O. Box 91202
1885 Wooddale Boulevard
Baton Rouge, LA 70821-9202

Ms. Ida Minor
(225) 922-0584
iminor@osfa.state.la.us
http://www.osfa.state.la.us

723 Maine

USA Group Guarantee Services
Attn: Ms. Kristi Mueller
11100 USA Parkway
Fishers, IN 46038

Ms. Kristi Mueller
(317) 595-1315
kmueller@usagroup.com
http://www.usagroup.com

724 Maryland

USA Group Guarantee Services
Attn: Ms. Kristi Mueller
11100 USA Parkway
Fishers, IN 46038

Ms. Kristi Mueller
(317) 595-1315
kmueller@usagroup.com
http://www.usagroup.com

725 Massachusetts

American Student Assistance Corporation
Attn: Cohort Section
330 Stuart Street
Boston, MA 02116

Ms. Sue Pottenger
(800) 999-9080 ext. 3209
pottenger@amsa.com
http://www.amsa.com

726 Michigan

Michigan Higher Education Assistance Authority
Attn: Audit and Program Review Section
608 W. Allegan Road
Hannah Building, First Floor
Lansing, MI 48933-1524

Mr. Dan Tryon
(517) 373-4981
tryond@state.mi.us

727 Minnesota

Great Lakes Higher Education Guaranty Corporation
Attn: Claims and Compliance Manager
2401 International Lane
Madison, WI 53704

Ms. Lori Marty
(608) 246-1622
lmarty@glhec.org
http://www.glhec.org

728 Mississippi

USA Group Guarantee Services
Attn: Ms. Kristi Mueller
11100 USA Parkway
Fishers, IN 46038

Ms. Kristi Mueller
(317) 595-1315
kmueller@usagroup.com
http://www.usagroup.com

729 Missouri

Missouri Student Loan Program
Attn: Coordinator for Compliance
3515 Amazonas Drive
Jefferson City, MO 65109-5717

Ms. Julie Sandbothe
(573) 751-1770
julies?cbhe400@admin.mocbhe.gov
http://www.mocbhe.gov

730 Montana

Montana Guaranteed Student Loan Program
Attn: Program Specialist
2500 Broadway
Helena, MT 59601

Mr. Ron Muffick
(406) 444-0369
(800) 537-7508
custserv@mgslp.state.mt.us
http://www.mgslp.state.mt.us

731 Nebraska

NSLP
Attn: Program Review and Compliance
1300 O Street
Lincoln, NE 68508

Mr. Kevin Taylor OR Ms. Alicia Chapelle
(402) 479-6718 OR (402) 479-6743
kevint@nslp.org OR aliciac@nslp.org
http://www.nslp.org

732 Nevada

USA Group Guarantee Services
Attn: Ms. Kristi Mueller
11100 USA Parkway
Fishers, IN 46038

Ms. Kristi Mueller
(317) 595-1315
kmueller@usagroup.com
http://www.usagroup.com

733 New Hampshire

New Hampshire Higher Education
Student Assistance Foundation
Attn: Director of Training and Compliance
4 Barrell Court
Concord, NH 03301

Mr. Scott Littlefield
(603) 225-6612 ext. 120
slittlefield@gsmr.org
http://www.nhheaf.org

734 New Jersey

New Jersey Higher Education Assistance
Authority
Office of Student Assistance
Attn: Investigator II
4 Quakerbridge Plaza Building 4
Trenton, NJ 08619

Ms. Lee Roach
(609) 588-3238
lee_roach@osa.state.nj.us
http://www.state.nj.us/treasury/osa

735 New Mexico

New Mexico Student Loan Guarantee
Corporation
Attn: Compliance and Program Review
Office
3900 Osuna, N.E.
Albuquerque, NM 87109

Ms. Carolyn Holder
(505) 345-8821 ext. 261
holderc@nmslgc.org
http://www.nmslgc.org

736 New York

New York State Higher Education Services
Corporation
Attn: Lender Service
99 Washington Avenue
Albany, NY 12255

Mr. Raymond Francis
(518) 473-1669
rfrancis@hesc.com
http://www.hesc.com

737 North Carolina

North Carolina State Education Assistance
Authority
Attn: Claims Accounting and Compliance
Review
10 Alexander Drive
Research Triangle Park, NC 27709

Ms. Robbin Sutton
(919) 248-4629
RobbinS@ncseaa.edu
http://www.ncseaa.edu

738 North Dakota

Student Loans of North Dakota
Attn: Compliance Officer
715 East Broadway
Bismarck, ND 58501

Ms. Char Feist
(701) 328-5753
cfeist@pioneer.state.nd.us
http://www.banknd.com/slnd

739 Ohio

For NON-DEFAULTED LOANS

Great Lakes Higher Education Guaranty Corporation
Attn: Claims and Compliance Manager
2401 International Lane
Madison, WI 53704

Ms. Lori Marty
(608) 246-1622
lmarty@glhec.org
http://www.glhec.org

For DEFAULTED LOANS

U.S. Department of Education
Default Management Division
ROB-3, Room 3905
7th & D Streets, SW
Washington, DC 20407

(202) 708-9396
OSFA_IPOS_Default_Management_Division@ed.gov
http://www.ed.gov

Note This is the address for **FFEL Program loans currently maintained by the Department**. For the Direct Loan Program loans address, see Appendix B

740 Oklahoma

Oklahoma State Regents for Higher Education Guaranteed Student Loan Program
Attn: Mary Heid
999 Northwest Grand Boulevard, Suite 300
Oklahoma City, OK 73118

Ms. Mary Heid
(405) 858-4300
gforgey@ogslp.org
http://www.ogslp.org

741 Oregon

Oregon State Scholarship Commission
Attn: Program Review
1500 Valley River Drive Suite 100
Eugene, OR 97401

Ms. Carolyn Sinclair
(541) 687-7375
carolyn.e.sinclair@state.or.us
http://www.ossc.state.or.us

742 Pennsylvania

Pennsylvania Higher Education Assistance Agency
Attn: Program Review
1200 North 7th Street
HQ4
Harrisburg, PA 17102-1444

Ms. Lisa Hoffman
(717) 720-2180
lhoffman@pheaa.org
http://www.pheaa.org

744 Rhode Island

Rhode Island Higher Education Assistance Authority
Attn: Cohort Appeals
560 Jefferson Boulevard
Warwick, RI 02886-1320

Mr. Charles Totoro
(401) 736-1141
ctotoro@ids.net
http://www.riheaa.org

745 South Carolina

South Carolina State Education
Assistance Authority
Attn: Mike Fox
Interstate Center, Suite 210
16 Berryhill Road
Columbia, SC 29212

Mr. Mike Fox
(803) 798-7960
mfox@slc.sc.edu
http://www.slc.sc.edu

746 South Dakota

Education Assistance Corporation
Attn: Supervisor of Pre-Claims,
Claims and Collections
115 First Avenue, S.W.
Aberdeen, SD 57401

Ms. Ellen Welke
(605) 622-4340
ewelke@eac-easci.org
http://www.eac-easci.org

747 Tennessee

Tennessee Student Assistance
Corporation
Attn: School Relations Specialist
404 James Robertson Parkway
Suite 1950
Nashville, TN 37243-0820

Mr. Dick Mansfield
(615) 741-1346
rmansfield@mail.state.tn.us
http://state.tn.us/tsac

748 Texas

Texas Guaranteed Student Loan
Corporation
Attn: Compliance Analyst
2929 Longhorn Boulevard, Suite 106
Austin, TX 78758

Mr. Ken Johnson
(512) 219-4701
ken.johnson@tgslc.org
http://www.tglsc.org/tgslc

749 Utah

Utah Higher Education Assistance
Authority
Attn: Manager of Compliance and
Program Review
355 West North Temple
Three Triad Center, Suite 550
Salt Lake City, UT 84180-1205

Mr. Jed Spencer
(801) 321-7220
jspencer@utahsbr.edu
http://www.uheaa.org

750 Vermont

Vermont Student Assistance Corporation
Attn: Manager of School Policy and
Compliance
The Champlain Mill
1 Main Street
Winooski, VT 05404

Ms. Marcia Vance
(802) 654-3770 ext. 273
(800) 660-3561 ext. 273
vance@vsac.org
http://www.vsac.org

751 Virginia

Educational Credit Management
Corporation (ECMC)
ECMC Guarantee Servicing
Attn: Program Compliance Specialist
411 East Franklin Street, Suite 300
Richmond, VA 23219-2243

Ms. Linda Woodley
(888) 775-3262 ext. 8024
lwoodley@ecmc.org
http://www.ecmc.org

753 Washington

Northwest Education Loan Association
Attn: School Compliance Representative
500 Coleman Building
811 First Avenue
Seattle, WA 98104

Ms. Linda Shannon
(206) 461-5325
lindas@nela.net
http://nela.net

755 Wisconsin

Great Lakes Higher Education Guaranty
Corporation
Attn: Claims and Compliance Manager
2401 International Lane
Madison, WI 53704

Ms. Lori Marty
(608) 246-1622
lmarty@glhec.org
http://www.glhec.org

772 Puerto Rico

Great Lakes Higher Education Guaranty
Corporation
Attn: Claims and Compliance Manager
2401 International Lane
Madison, WI 53704

Ms. Lori Marty
(608) 246-1622
lmarty@glhec.org
http://www.glhec.org

778 Virgin Islands

Great Lakes Higher Education Guaranty
Corporation
Attn: Claims and Compliance Manager
2401 International Lane
Madison, WI 53704

Ms. Lori Marty
(608) 246-1622
lmarty@glhec.org
http://www.glhec.org

800 USA Group Guarantee Services

USA Group Guarantee Services
Attn: Ms. Kristi Mueller
11100 USA Parkway
Fishers, IN 46038

Ms. Kristi Mueller
(317) 595-1315
kmueller@usagroup.com
http://www.usagroup.com

804 Arizona

USA Group Guarantee Services
Attn: Ms. Kristi Mueller
11100 USA Parkway
Fishers, IN 46038

Ms. Kristi Mueller
(317) 595-1315
kmueller@usagroup.com
http://www.usagroup.com

815 Hawaii

USA Group Guarantee Services
Attn: Ms. Kristi Mueller
11100 USA Parkway
Fishers, IN 46038

Ms. Kristi Mueller
(317) 595-1315
kmueller@usagroup.com
http://www.usagroup.com

927 Educational Credit Management Corporation (ECMC)

[Formerly Transitional Guaranty Agency (TGA)]

Educational Credit Management Corporation (ECMC)
ECMC Guarantee Servicing
Attn: Program Compliance Specialist
411 East Franklin Street, Suite 300
Richmond, VA 23219-2243

Ms. Linda Woodley
(888) 775-3262 ext. 8024
lwoodley@ecmc.org
http://www.ecmc.org

951 Educational Credit Management Corporation (ECMC)

Educational Credit Management Corporation (ECMC)
ECMC Guarantee Servicing
Attn: Program Compliance Specialist
411 East Franklin Street, Suite 300
Richmond, VA 23219-2243

Ms. Linda Woodley
(888) 775-3262 ext. 8024
lwoodley@ecmc.org
http://www.ecmc.org

American Samoa (no number code)

USA Group Guarantee Services
Attn: Ms. Kristi Mueller
11100 USA Parkway
Fishers, IN 46038

Ms. Kristi Mueller
(317) 595-1315
kmueller@usagroup.com
http://www.usagroup.com

Federated States of Micronesia, Marshall Islands, and Republic of Palau (no number code)

USA Group Guarantee Services
Attn: Ms. Kristi Mueller
11100 USA Parkway
Fishers, IN 46038

Ms. Kristi Mueller
(317) 595-1315
kmueller@usagroup.com
http://www.usagroup.com

Guam (no number code)

USA Group Guarantee Services
Attn: Ms. Kristi Mueller
11100 USA Parkway
Fishers, IN 46038

Ms. Kristi Mueller
(317) 595-1315
kmueller@usagroup.com
http://www.usagroup.com

Northern Mariana Islands (no number code)

USA Group Guarantee Services
Attn: Ms. Kristi Mueller
11100 USA Parkway
Fishers, IN 46038

Ms. Kristi Mueller
(317) 595-1315
kmueller@usagroup.com
http://www.usagroup.com

Alphabetical
Guaranty Agency Contacts

The list that follows contains, in **alphabetical order**, the names of states and territories primarily associated with specific guaranty agencies.

The number in the second column is the three-digit guarantor/servicer code identified on the loan record detail report for each loan record. See page 3 (Appendix A1) for a list of these three-digit codes in numerical order, followed by the names of the guaranty agency points of contact for cohort default rate appeals, their addresses, telephone numbers, e-mail and website addresses (if available).

State and/or Territory	Guarantor/Servicer code
Alabama	701
Alaska	702
American Samoa	no number code
Arizona	804
Arkansas	705
California	706
Colorado	708
Connecticut	709
Delaware	710
District of Columbia	611
Educational Credit Management Corporation (ECMC)	927 and 951
Federated States of Micronesia, Marshall Islands, Republic of Paulau	no number code
Florida	712
Georgia	713
Guam	no number code
Hawaii	815
Idaho	716
Illinois	717
Indiana	718
Iowa	719
Kansas	620
Kentucky	721
Louisiana	722
Maine	723

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State and/or Territory	Guarantor/Servicer code
Maryland	724
Massachusetts	725
Michigan	726
Minnesota	727
Mississippi	728
Missouri	729
Montana	730
Nebraska	731
Nevada	732
New Hampshire	733
New Jersey	734
New Mexico	735
New York	736
North Carolina	737
North Dakota	738
Northern Mariana Islands	no number code
Ohio	739
Oklahoma	740
Oregon	741
Pennsylvania	742
Puerto Rico	772
Rhode Island	744
South Carolina	745
South Dakota	746
Tennessee	747
Texas	748
U S. Department of Education	555, 627, and 631
USA Group Guarantee Services	800
Utah	749
Vermont	750
Virgin Islands	778
Virginia	751
Washington	753
West Virginia	654
Wisconsin	755
Wyoming	656

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Appendix B

Direct Loan Servicer Contact List

Direct Loan Servicing Center (0101)

U.S. Department of Education
Direct Loan Servicer
School Services Department
ATTN: Default Rate Appeals Section
501 Bleecker Street
Utica, New York 13501
(888) 877-7658

Note When submitting a request for data, a school **MUST** use its OPE ID number, **NOT** its Direct Loan School ID number (i.e., G code).

Appendix C

U.S. Department of Education Contacts

If you...	Contact...
Have questions about **cohort default rate appeals** and/or **general cohort default rate issues**	**If sent by commercial overnight mail/courier delivery, send your request to:** U.S. Department of Education Default Management Division (DMD) ROB-3, Room 3905 7th and D Streets, SW Washington, DC 20407 **If sent by U.S. Postal Service, send your request to:** U.S. Department of Education Default Management Division (DMD) Portals Building, Room 6300 400 Maryland Avenue, SW Washington, DC 20202-5353 **Call: (202) 708-9396** **Fax: (202) 205-2299 or (202) 260-5879** **E-mail:** OSFA_IPOS_Default_Management_Division@ed.gov Note Cohort default rate appeal submissions will NOT be accepted via facsimile or e-mail

If you...	**Contact...**
Need copies of the **Department's regulations, "Dear Colleague" letters, or other student aid publications**	U.S. Department of Education **Federal Student Aid Information Center** P.O. Box 84 Washington, DC 20044-0084 (800) 433-3243 http://www.ifap.ed.gov
Have questions about **the Office of Student Financial Assistance**	U.S. Department of Education **Office of Student Financial Assistance (OSFA)** ROB-3, Room 4004 400 Maryland Avenue, SW Washington, DC 20202 (202) 260-6536
Have questions about **collection of individual defaulted loans assigned to the Department**	U.S. Department of Education **Debt Collection Service (DCS)** Student Receivables Division ROB-3, Room 5118 400 Maryland Avenue, SW Washington, DC 20202-5320 (800) 621-3115
Need information on **lender or guaranty agency cohort default rates**	U.S. Department of Education **Guarantor and Lender Oversight Service (GLOS)** ROB-3, Room 4616 400 Maryland Avenue, SW Washington, DC 20202-5138 (202) 401-7482
Have questions about **recertification, audit resolution, financial analysis, program review, or institution improvement**	U.S. Department of Education **Institutional Participation and Oversight Service (IPOS)** ROB-3, Room 3915 400 Maryland Avenue, SW Washington, DC 20202 (202) 205-0183

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Appendix D

Abbreviations and Acronyms

These shortened forms appear in cohort default rate loan record detail reports, on spreadsheets, and throughout various appeal instructions.

Code	Description
BCD	Beginning Class Date
BUD	**Backup Data (Loan Record Detail Report)**
CDR	Cohort Default Rate
CPD	**Claim Paid Date**
DD	Default Date
DER	**Date Entered Repayment**
DF	Default
DL	**Direct Loan**
DLS	Direct Loan Servicer
DMD	**Default Management Division**
ECD	Ending Class Date
FDLP	**Federal Direct Loan Program**
FFEL	Federal Family Education Loan Program
FY	**Fiscal Year**
GA	Guaranty Agency

Code	Description
ICR	Income Contingent Repayment
ICRD	**Income Contingent Repayment Date**
LDA	Last Day of Attendance
LRDR	**Loan Record Detail Report**
LS&T	Limitation, Suspension, and/or Termination
LTH	**Less-Than-Half-Time**
Neg-am	Negative Amortization
NSLDS	**National Student Loan Data System**
OSD	Out of School Date
SL	**Supplemental Loans for Students**
SSCR	Student Status Confirmation Report
SSL	**Subsidized Stafford Loan**
SF	Stafford
SU	**Unsubsidized Stafford Loan**

Appendix E

Comments on the *FY 1997 Official Cohort Default Rate Guide*

Contents

Comments Worksheet. 3

Comments on the *FY 1997 Official Cohort Default Rate Guide*

Please TYPE or PRINT the following. The Department may contact you for further clarification on your comments.

Organization Name: ____________________
School OPE-ID # (if applicable): ____________________
Organization Mailing Address: ____________________
____
____

Person completing this form: ____________________
Telephone number: (____) ____________________

Was the *Guide* easy to read and understand? ☐ YES ☐ NO

Did you like the separation of appeal information from general cohort default rate information? ☐ YES ☐ NO

Did this format make it easier for your school or entity to prepare its official data appeal/response? ☐ YES ☐ NO

Were the instructions and spreadsheets easy to follow and understand? ☐ YES ☐ NO

Are there issues that were not discussed in the *Guide* that you would like to see in future editions? ☐ YES ☐ NO

General comments
____
____
____
____
____
____

If sent by **commercial overnight mail/courier delivery**, send your comments to:

U.S. Department of Education
Default Management Division
Attn: Guide Comments
ROB-3, Room 3905
7th and D Streets, SW
Washington, DC 20407

If sent by **U.S. Postal Service**, send your comments to:

U.S. Department of Education
Default Management Division
Attn: Guide Comments
Portals Building, Room 6300
400 Maryland Avenue, SW
Washington, DC 20202-5353

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UNITED STATES OF AMERICA

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